

**BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: May 16, 2006 - KL
Bulk Item: Yes X No

Division: Growth Management
Department: Growth Management
Staff Contact Person: Ty Symroski
Jerry D. Sanders, Esq.

AGENDA ITEM WORDING: Approval of development agreement proposed under Section 380, Florida Statutes, for the purchase of land located on Stock Island by Monroe County from Overseas Redevelopment Company, LLC.

ITEM BACKGROUND: To preserve workforce housing in Monroe County, steps must be taken to preserve existing workforce housing in existing trailer parks. To meet the needs of *Overseas Redevelopment Company, LLC*, the County plans to agree to pay \$2.5 million for the purchase of the property (formerly owned by *Bounty Fisheries, Inc.* and known as *Overseas Trailer Park*), which is less than 65% of appraised fair market value, and allocate 18 affordable ROGO credits to the seller. *Overseas Redevelopment Company, LLC* may then transfer offsite 18 market rate ROGO permits and it's over density market rate ROGO permits (approximately 14) to offsite locations. The County will lease the property to the developer for 99 years. Seller will build on County land 49 workforce housing units to sell to qualified buyers over the next two years. The Planning Commission considered the proposed 380 agreement on May 10, 2006 and recommended approval with some minor changes which have been incorporated. The site plan will require hearings by the Planning Commission. The 380 agreement will require approval by the Department of Community Affairs after final BOCC action.

PREVIOUS RELEVANT BOCC ACTION:

4/19/2006 BOCC approval of Letter of Understanding with FL Department of Community Affairs concerning affordable ROGO allocations.

4/19/2006 BOCC approval of *Ordinance 017-2006* amending Sections 9.5-4 and 9.5-266, Monroe County Land Development Regulations, regarding multi-unit development and redevelopment for affordable housing.

3/15/2006 enacted *Ordinance No. 005-2006* implementing an Affordable and Employee Housing purchase and development program.

3/15/2006 BOCC directed staff to continue to negotiate an Agreement with *Overseas Redevelopment Company, LLC* (formerly known as *Bounty Fisheries, Inc.*).

2/15/06 BOCC approval to advertise for one public hearing to be held March 15, 2006 in Marathon to consider adoption of County Ordinance establishing Affordable Housing Purchase and Development Program.

1/18/2006 BOCC directed staff to work with *Bounty Fisheries, Inc.* to draft the proposed Development Agreement with Monroe County and the FL Department of Community Affairs under Chapters 163 and 380.

1/18/2006 BOCC approval of Request for Proposals for the purchase of land by the County and its development for affordable housing and advertisement for the opening of sealed proposals to be received on April 3, 1006 for this purpose.

CONTRACT/AGREEMENT CHANGES: N/A

STAFF RECOMMENDATIONS: Approval

TOTAL COST: \$2.5 Million

BUDGETED: Yes No

COST TO COUNTY: \$2.5 Million

SOURCE OF FUNDS: Previously budgeted
and as otherwise directed by BOCC

REVENUE PRODUCING: Yes No **AMOUNT PER MONTH** **Year**

APPROVED BY: County Atty X OMB/Purchasing Risk Management

DIVISION DIRECTOR APPROVAL: T/S 5/11/2-6

Ty Symroski

DOCUMENTATION: Included X

Not Required

DISPOSITION:

AGENDA ITEM #

AGREEMENT
Pursuant to Section 380.032(3), Florida Statutes

THIS SECTION 380.032 AGREEMENT is entered into between the **Department of Community Affairs**, an agency of the State of Florida (hereinafter referred to as “DCA” or Department”), **Overseas Redevelopment Company, LLC** (hereinafter referred to as “ORC”), and **Monroe County**, a political subdivision of the State of Florida (hereinafter referred to as “County”), pursuant to the terms and conditions herein and § 380.032(3), *Florida Statutes*.

WHEREAS, Monroe County, Florida includes within its boundaries all of the Florida Keys and is known as an Area of Critical State Concern, as designated under Sections 380.05, *Florida Statutes*, and Chapter 28-36, *F.A.C.*; and

WHEREAS, the DCA is the state land planning agency having the power and duty to exercise general supervision of the administration and enforcement of Chapter 380, *Florida Statutes*, the Environmental Land and Water Management Act (the “Act”), which includes provisions relating to areas of critical state concern; and

WHEREAS, DCA is authorized by § 380.032(3), *Florida Statutes*, to enter into an agreement with any landowner, developer or other governmental agency as may be necessary to effectuate the provisions and purposes of the Act, or any related rule; and

WHEREAS, in March, 2005 ORC entered into a contract to purchase a parcel of real property located on Stock Island, Florida comprising approximately 3.56 acres, as is more fully described in Appendix “A”, also known Overseas Trailer Park (the “Property”), pursuant to which contract ORC, as contract vendee, is entitled to seek and obtain government approvals for the development of the Property; and

WHEREAS, after acquiring the Property, ORC presented an application for an amendment to a conditional use to the County to convert sixty-three (63) mobile home sites to forty-nine (49) market rate housing units on the property; and

WHEREAS, ORC negotiated with the County the terms of an agreement to resolve vested rights and other development issues that were the subject of protracted discussions between the County and ORC; and

WHEREAS, the focus of the discussions was to seek a means to change the development plans away from ORC's entitlement to build market rate units and toward a plan that would create workforce housing units on the Property; and

WHEREAS, DCA in a letter dated June 16, 2005 indicated that it would not appeal the rezoning necessary for ORC to redevelop the Property but indicated in said letter that "additional protection is needed to maintain properties that were formerly mobile home parks as part of the affordable [workforce] housing stock"; and

WHEREAS, it is in the public interest and consistent with current County ordinances and planning initiatives that Overseas Trailer Park be developed as workforce housing, rather than market rate units; and

WHEREAS, it is in the public interest and consistent with County planning initiatives that private lands capable of supporting workforce housing developments be purchased and brought into public ownership when possible; and

WHEREAS, the County recognizes that to achieve this public purpose it is necessary to provide Rate of Growth Ordinance rights (ROGO units) as part of the purchase price incentive to private landowners in the position of ORC.

NOW, THEREFORE, in consideration of the mutual covenants and the terms and conditions set forth hereafter, the County, ORC and DCA agree as follows:

1. **Incorporation of Recitals.** All of the foregoing recitals are incorporated into this Agreement.

2. **Development Agreements.**

2.1. The parties agree that the Property that is subject of this agreement, based on the most accurate historical information available, has sixty-three (63) ROGO units allocated to the Property.

2.2. The parties agree that ORC currently has the lawful right to construct forty-nine (49) market rate units on the Property.

2.3. The parties agree that there presently are an additional fourteen (14) market rate ROGO units on the Property that may be transferred off site by ORC.

2.4. The County will purchase the Property from ORC pursuant to the following terms and conditions:

- a. The County will pay to ORC the sum of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in cash in exchange for the transfer of ORC's fee simple ownership in the Property.
- b. The County will lease the Property back to ORC in a lease format approved by the County and ORC for a term of ninety-nine (99) years for a rental rate of Ten Dollars (\$10.00) per year. As tenant, ORC shall assume all expenses and obligations of ownership of the Property. As set forth below, ORC will redevelop the Property into a workforce housing community, which ORC will operate and manage consistent with the County's workforce housing regulations, as amended from time to time, including oversight by the County Housing Authority.
- c. The County will allocate eighteen (18) of its affordable ROGO units in its inventory to ORC for the redevelopment project, and ORC will provide thirty-one (31) of its ROGO units to the project. Said eighteen (18) County units and thirty-one (31) ORC units shall be used by ORC to redevelop the Property into a forty-nine (49) unit workforce housing community. The County may substitute thirty-one (31) of its affordable housing ROGO allocations for the 31 ORC units and in which event ORC will assign the 31 ORC market rate ROGO allocations to the County for its use. Thereafter, ORC shall own all forty-nine (49) units and shall be able to sell the same to third parties in accordance with the County's workforce housing guidelines. The parties agree that ORC shall have the greatest possible latitude under the workforce housing guidelines in its selling of units in the community, and shall be able to sell such units at the maximum prices permissible under the workforce housing guidelines, including but not limited to those prices chargeable to people in the "moderate" income classification.

- d. The remaining thirty-two (32) market rate ROGO units retained by ORC may be sold by ORC upon such terms and conditions as it in its sole and absolute discretion deems appropriate, and such units may be transferred off the Property singly, in groups or all together to a receiver site or sites. ORC shall be entitled to transfer such units at such time as it has been issued a building permit for the redevelopment of the Property as set forth above. Each of the thirty-two (32) ROGO units to be transferred off the Property is deemed to meet the transfer criteria established by County regulations and ordinances and shall be transferable as of right to a receiver site. The units transferred off may not be transferred beyond the Lower Keys District boundaries unless and until the nutrient reduction system is officially dispensed with as a result of official state action or judicial decree. The units being transferred off may not be transferred in a Tier 1 zoning district or a special protection area if the construction of the units within either description would require clearing of natural habitat.
- e. The transfer of affordable units from one owner to another will be monitored by the County in a manner to be determined by the County from time to time.
- f. Until such time as Monroe County shall adopt “workforce housing” regulations ORC shall comply in all respects with the definition of “affordable housing” in the Monroe County Code and shall additionally require each unit purchaser or adult occupant to be a member of the Monroe County workforce, i.e. to be gainfully employed, full time, in Monroe County at the time of purchase or occupancy and to remain so employed for not less than five years thereafter.

3. **Construction of the Agreement**. The parties hereto have entered into this Section 380.032 agreement in recognition of the unique circumstances applicable to the Property, and in consideration of the public benefits to be obtained by preserving

workforce housing stock. Accordingly, this Section 380.032 Agreement should not be construed as establishing precedent or procedure for any other development application.

4. **General Provisions.** The County will not take any official action through its agents or employees which would contravene, interfere with or alter any provision in this agreement.

5. **Authorized Signatures.** The Board of County Commissioners of Monroe County, or its authorized designee, shall execute this Section 380.032 Agreement on behalf of the County following approval of this Agreement by the Board of County Commissioners. The Director of the Division of Community Planning, or his/her authorized designee, shall execute this Agreement on behalf of DCA. ORC shall execute this Agreement by its duly-authorized officer.

6. **Entirety of Agreement.** The County, DCA and ORC further agree that this Section 380.032 Agreement contains the entire and exclusive understanding and agreement among the parties and may not be modified in any manner except by an instrument in writing and duly signed by the County, DCA and ORC.

7. **Duplicated Originals.** This Section 380.032 Agreement may be executed in any number of originals, all of which evidence one agreement, and only one of which need be produced for any purpose.

8. **Enforcement.** In the event of a breach of this Section 380.032 Agreement, or failure to comply with any condition of it, the County, DCA and ORC may enforce this Agreement pursuant to §§ 380.05 and 380.11, *Florida Statutes*, or as otherwise provided by law.

9. **Scope of Authority.** This Section 380.032 Agreement affects the rights and obligations of the County, DCA and ORC as provided under the terms herein and Chapter 380, *Florida Statutes*. This Section 380.032 Agreement is not intended to influence or determine the authority or decisions of any other state or local government or agency in issuance of any other permits or approvals that might be required by state law or local ordinance for any development authorized by this Agreement except as otherwise provided herein.

10. **Effective Date.** This Agreement shall take effect upon signature of the last of the parties to sign this Agreement.

IN WITNESS WHEREOF, the parties by and through their respective undersigned duly authorized representatives have executed this Agreement on the dates and year below written.

COUNTY OF MONROE

**OVERSEAS REDEVELOPMENT
COMPANY, LLC**

DCA

County Manager

**by: Joe Cleghorn, its
Manager**

**Director Division of
Community
Planning, DCA**

Date signed

Date signed

Date signed



MEMORANDUM

TO: Planning Commission

FROM: Heather Beckmann, Senior Planner

Through: Aref Joulani, Planning Director

DATE: May 3, 2006

RE: **Overseas Redevelopment Company, LLC; Section 380.032 Agreement**

I. Proposal

An agreement between the **Department of Community Affairs (DCA)**, **Overseas Redevelopment Company, LLC (ORC)**, and **Monroe County**, pursuant to the terms and conditions herein and § 380.032(3), *Florida Statutes*.

II. BACKGROUND

On January 18, 2005 a pre-application meeting was held between Monroe County and the applicants Scott Oropeza, Joe Cleghorn, Freddie Sayer and Tim Koenig to determine the amount of lawfully established units at the Overseas Trailer Park. At that time, the applicant was interested in demolishing the existing units and building equal number of manufactured homes in a gated community with a common pool and park.

Following that meeting, staff produced a letter of understanding. Based on the guidelines outlined in AI 03-108, permit history and the supporting evidence supported fifty-six (56) residential units. Upon request by the applicant, Staff revisited the LOU and further reviewed the documents including the utility records and determined that an additional seven (7) lawfully established units existed on the subject property, making the total sixty-three (63) residential units.

The current owners of Overseas Trailer Park, known as Overseas Redevelopment Company, LLC (ORC) have drafted the attached 380 Agreement to redevelop their site with workforce housing units as defined in the agreement.

III. ANALYSIS

DCA is authorized by § 380.032(3), *Florida Statutes*, to enter into an agreement with any landowner, developer or other governmental agency as may be necessary to effectuate the provisions and purposes of the Act, or any related rule.

The 380 agreement requested is for the redevelopment of Overseas Trailer Park. Specifically, ORC is requesting to redevelop Overseas Trailer Park with 'workforce housing' rather than market rate units. According to the agreement, ORC will be redeveloped into a 'workforce housing' community. The County intends on allocating 18 affordable ROGO units to ORC for the redevelopment project and ORC will provide the County with 31 on-site ROGO exempt for a total of 49 units of workforce housing to be built on-site. The County may substitute thirty-one (31) of its affordable housing ROGO allocations for 31 ORC - ROGO exemption units in which event ORC will assign the 31 ORC market rate ROGO allocations to the County for its use. ORC shall be able to sell such units at the maximum prices permissible under the workforce housing guidelines, including but not limited to those prices in the moderate-income range. Currently, the moderate income range as adopted by the Board at their April 2006 meeting is 160% of the median monthly household income for Monroe County.

In addition, ORC shall be able to transfer the remaining 32 market-rate ROGO units off-site as market rate units as of right.

The County will pay to ORC the sum of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in cash in exchange for the transfer of ORC's fee simple ownership in the property. The County will lease the property back to ORC for a term of ninety-nine (99) years for a rental rate of Ten Dollars (\$ 10.00) per year. As tenant, ORC shall assume all the expenses and obligations of ownership of the property.

IV FINDINGS OF FACT

1. Pursuant to Section 9.5-4, Monroe County Code does not have a definition for 'workforce housing'. Pursuant to the Agreement, until such time as Monroe County shall adopt "workforce housing" regulations ORC shall comply in all respect with the definition of Affordable housing: in the Monroe County Code and shall additionally require each unit purchaser or occupant to be a Member of the Monroe County workforce, i.e. to be gainfully employed, full time in Monroe County at the time of purchase or occupancy and to remain so employed for not less than five (5) years thereafter.
2. All the remaining market rate units may be transferred off-site as market rate as-of-right through a certificate process. The receiver of the ROGO exemptions must comply with all the applicable Monroe County regulations.

V RECOMMENDATION

Based on the Findings of Fact the Planning and Environmental Resources staff recommends **APPROVAL** to the Planning Commission of the proposed 380 Agreement.

PLANNING DEPARTMENT

Suite 400
2798 Overseas Highway
Marathon, Florida 33050
Voice: (305) 2892500
FAX: (305) 2892536



BOARD OF COUNTY COMMISSIONERS

Mayor Dixie M. Spehar, District 1
Mayor Pro Tem, Charles McCoy, District 3
Comm. Murray E. Nelson, District 5
Comm. George Neugent, District 2
Comm. David P. Rice, District 4

March 17, 2005

Joe Cleghorn
5300 MacDonald Avenue
Key West, FL 33040

**SUBJECT: PRE-APPLICATION MEETING LETTER OF UNDERSTANDING FOR
BOUNTY FISHERIES, STOCK ISLAND, 00125350.000000.**

Dear Mr. Cleghorn:

Pursuant to Section 9.5-43 of the Monroe County Code, this document shall constitute a letter of understanding. On January 18, 2005, a pre-application conference regarding the subject property was held in the Monroe County Planning Department in Marathon.

Attendees at the meeting included Scott Oropeza, Joe Cleghorn, Freddie Sayer, Tim Koenig (hereafter referred to as the "Applicant"); and Ralph Goulby, Senior Administrator of Environmental Resources, Aref Joulani, Senior Administrator of Development Review and Design, Tom Williams, Senior Planner and Heather Beckmann, Planner (hereafter collectively referred to as "Staff" for the Planning Department).

Materials presented prior to the meeting included:

- 1) Pre-application conference request form; and
- 2) Site Plan "B" by Thomas E. Pope, P.A., Architect dated 08/06/04; and
- 3) Boundary Survey by Norby & O'Flynn Surveying, Inc., drawn by J.L.O dated 072804; and
- 4) Boundary Survey by Phillips & Trice Surveying, Inc.; and
- 5) Monroe County Property Map displaying each lot; and
- 6) Monroe County Property Record Card dated 09/28/04; and
- 7) State of Florida Department of Health Operating Permit #445400025 for Mobile Home/RV Park Home Park issued on 09/16/03.

At the pre-application meeting, the following items were discussed and/or agreed upon:

1. The applicant is interested in demolishing the existing fifty-six (56) mobile homes and seven (7) RV spaces (Source: Florida Department of Health Permit) and building forty-seven (47) manufactured homes in a gated community with a common pool and park.
2. According to the Property Record Cards, the size of the combined properties is 3.22 acres or one-hundred forty-thousand six-hundred ninety-eight (140,698) square feet. The property is physically located at 5300 MacDonald Avenue and further described as Stock Island Maloney Subdivision PB155 lots 1 thru 20 square 38 and part disclaimed First Avenue, Stock Island, Monroe County, Florida. The Real Estate Number is 00125350.000000.
3. The property is zoned Urban Residential Mobile Home-Limited (URM-L). The applicant has submitted an application for an amendment to the current land use map. The future land use designation is Residential High (RH).
4. The applicant claims that the existing site contains Rate of Growth Ordinance (ROGO) exempt dwelling units. The applicant is seeking a determination from the Planning Department as to their lawful establishment. Administrative Interpretation 03-108 provides a consistent method to determine the amount of lawfully established units for properties entitled to ROGO exemptions. The goal is to determine that the units were on site in 1990, the year the 1990 census was counted and used to determine the number of existing residential units, which is the basis of ROGO. The lawful establishment test is composed of two tiers of review. The first Tier entails a review of permit history from the Division of Growth Management for the units and/or floor area. Building Permit history substantiates that there are thirty-eight (38) lawfully established units on the subject parcels. The permits used to quantify this are outlines below:

A. Monroe County Building Permit History

Permit #	Year Issued	Purpose of Permit	Lot #	Supporting Documentation	Lawful Establishment
A8276	1974	install ac	16		n
A434	1975	electric and ac	68		n
A329	1975	ttd	70		y
A159	1975	trailer	71		y
A124	1975	trailer replacement	14		y
A115	1975	trailer replacement	14		y
A168	1975	electric	14		n
A554	1975	septic tank	14	trailer image	y
A1356	1976	ttd	67		y
A1352	1976	ttd	2	zoning RU5P	y
A1343	1976	ttd	34		y
A1041	1976	fence	63		n

A1035	1976	utility to mobile home	2		y
A1599	1976	install mobile home block and ttd	12		y
A1812	1976	ttd	38		y
A1222	1976	ttd	31		y
A1260	1976	ttd	48		y
A1286	1976	screen room	30		y
A3189	1977	ttd	19		y
A2437	1977	sun porch on slab	14		y
A2594	1977	ttd	30		y
A1943	1977	replace trailer	69		y
A3528	1978	open porch	37	trailer image	y
A3546	1978	ttd	15		y
A3910	1978	replace mobile home	28		y
A3963	1978	install AC	28		n
A4128	1978	replace trailer	15		y
A4495	1978	ttd and replacement of trailer	38		y
A4491	1978	install sub amp	38		n
A4415	1978	replace trailer	29		y
A3153	1978	ttd	67		y
A3216	1978	ttd	56		y
A3710	1978	replace mobile home	12	zoning RU5P	y
A3308	1978	replace mobile home	69		y
A5389	1979	install 200 amp	8	supp to 5340a	n
A5340	1979	replace mobile home	8	n	y
A5676	1979	electric update	36		n
A5516	1979	replace mobile home	36		y
A5856	1979	replace mobile home	57	existing trailer image	y
A4857	1979	replace mobile home	48		y
A4872	1979	electric	48		n
A5051	1979	replace mobile home	8		y
A4709	1979	ttd	69		y
A7460	1980	rebuild service	66		n

A7222	1980	hook up trailer	24		y
A7178	1980	replace mobile home	24		y
A7047	1980	replace mobile home	69		y
A6763	1980	install new center pole	17		n
A8319	1981	new electric	14		n
A8276	1981	ttd	17		y
A7908	1981	replace mobile home	61		y
A7951	1981	uninstall amp sub-feed	61		y
A9842	1982	fence			n
A9258	1982	repair utility building			
A9343	1982	ttd	26	mobile home	y
A9352	1982	electric storage purposes only			n
A9185	1982	electric	15	trailer reference	y
A9185	1982	electric	16	trailer reference	y
A10020	1982	patio enclosure	5	8X32 trailer picture	y
A9937	1982	sun porch on slab	16	trailer image	y
A11217	1983	electric	52		
A10549	1983	replace mobile home	57		y
A10333	1983	repair septic			
A10219	1983	porch & fence	58	existing trailer image	y
A10533	1983	fill			n
A12079	1984	electric	17		n
A12079	1984	electric	18		n
A12079	1984	electric	18a		n
A12079	1984	electric	19		n
A12676	1984	fill			n
A15471	1986	TTD	60		y
A17508	1987	porch & fence	22		y
A17408	1987	fence	38	showing just a slab	n
A17124	1987	ttd and replacement	23		y
A18419	1987	electric	65		
A18682	1987	trailer replacement	18A	trailer	y
A17679	1987	ttd and replacement	19		y
8812047	1988	new siding	20		y

8812067	1988	replace mobile home	23		y
8810913	1988	lattice fence	38		n
8810914	1988	wood fence	48		n
8810998	1988	wood fence and shed	50		n
8810603	1988	RV/trailer replacement	7		y
8812300	1988	remove trailer and replace new	35		y
8810440	1988	build a shed	48		n
8811126	1988	trailer replacement and tie down	6		y
8810353	1988	replace electric to existing trailers	3 and 4		y
8810783	1988	mobile home replacement	50		y
8911337	1989	improvements	12		n
8911760	1989	shed repair	51		n
8911666	1989	demolition of roof	45		y
8912282	1989	fence along property			n
8811223	1989	trailer replacement and tie down	3		y
9011253	1990	repair roof	27A		n
9011556	1990	connect trailer to sewer	18A		y
9011557	1990	connect trailer to sewer	60		y
9011307	1990	RV tie down	7		y
9011545	1990	septic tank repair			n
9011378	1990	RV tie down	5		y
9010802	1990	trailer replacement and tie down	22 and 23		y
9112177	1991	Interior renovations	29		y
9112311	1991	repair septic	52 and 53		y
9112596	1991	fill			n
9112597	1991	demolition of asphalt roadway			n

9113671	1991	trailer for future office	39		y
9113440	1991	repair two meter centers	33 and 34		y
9113840	1991	demolition of double wide trailer	12 and 13		y
91138341	1991	demolition of double wide trailer	20 & 21		y
9213941	1992	build electric meter	10, 11, 12		n
9214991	1992	demolition of mobile home	31		y
9215270	1992	new electric	30, 31, 32		y
9215490	1992	upgrade electric	45, 48, 47, 54		y
9315865	1993	upgrade electric and replace service	28 and 29		y
9316463	1993	upgrade electric	35		y
9316520	1993	RV tie down	21 and 1		y
9316714	1993	Upgrade electric	24, 25, 26 and 27		y
9315531	1993	remove asphalt road top			n
9410197	1994	upgrade electric	22	to trailer in notes	y
9410197	1994	upgrade electric	23		y
9410095	1994	roof replacement on commercial		600 sq foot commercial	n
9411404	1994	demolish deck and replace mobile	60		y

951154	1995	replace meter	55		?
951154	1995	replace meter	60		?
951154	1995	replace meter	61		?
951154	1995	replace meter	19A		?
951440	1995	install windows and repair comm bldg	35	PRC from 1995 built in 1944	n
9510736	1995	fence replacement	35	includes survey	y
9511263	1996	upgrade electric	63	map with trailer	y
9511263	1996	upgrade electric	64	map with trailer	y
9511263	1996	upgrade electric	65	map with trailer	y

*ttd – Trailer Tie Down

- In conclusion, between 1974 and 1990, a total of forty (40) units received permits from Monroe County. The units at the time had the following corresponding lot numbers; 2, 3, 4, 5, 6, 7, 8, 12, 14, 15, 16, 17, 18A, 19, 20, 22, 23, 24, 26, 28, 29, 30, 31, 34, 35, 36, 37, 38, 45, 48, 50, 56, 57, 58, 60, 61, 67, 69, 70, and 71. In 1990, unit #'s 8 and 56 no longer existed and the permits received for these units came from the late 70's. Therefore, the permit history lawfully establishes thirty-eight (38) units.
- The most substantial pieces of evidence from the records search was a Boundary Survey dated 7/5/1990 by Phillips and Trice Surveying, Inc (with Permit # 9510736) and a 1991 sketch (with permit # 9112311) of each lot numbered. The Boundary Survey shows there were fifty-six (56) units on site in 1990; and the 1991 sketch indicates the same amount. These two pieces of additional information clearly identify the exact amount of units on site in 1990.

B. The second Tier of review may be used to establish that the property was lawfully-established if a permit or other Growth Management approval is not available. This Tier includes the following;

- Aerial Photographs showing existence of the dwelling unit structure prior to 1986; and
- County property record card showing the existence of the unit prior to 1986; and
- Utility records that show the use being served; and
- The use could have been a permitted use prior under the pre1986 zoning of the property; and
- Occupational Licenses (1986 to 1991) if available.

The results from this information for this parcel are outlined below;

- Aerial photos show units, but the amount is unclear; and
- 1990 County Property Record Card indicate that the use served was a commercial, mobile home park; and

- 1995 Permit # 9510154 for the replacement of electric meters. Included in this permit are Lot #'s and the date the meters were installed and removed. According to this piece of information, fifty-nine (59) residential meters were active in 1990; and
- Florida Keys Aqueduct Authority
 - Letter from Kip E. Waite dated 06/23/04 indicating sixty-three (63) units have been active since 1985; and
- 1986 zoning – BU-2 medium business district. 1987 zoning URM Urban Residential Mobile Home.

C. Mobile home and RV parks require additional information and include the following;

- Mobile home parks surveys taken in the 1980's and 1990's by the County; and
- Health Department Licenses; and
- Demolition permits.

The results from this information are outlined below;

- Monroe County Mobile Home Count of 1988
 - 35 mobile homes and eleven (11) RV's for a total of forty-six (46) units.
 - Monroe County List of RV Parks dated on February 19, 1992
 - 54 mobile homes and seven (7) RV's for a total of sixty-one (61) units.
 - State of Florida Department of Health Permit
 - No historical permits available.
5. In conclusion, the following evidence supports that there were fifty-six (56) residential units on the property in 1990. Of those, forty-nine (49) were permanent and seven (7) were RV. Note: One of the spaces on the survey has historically been used as an office site and was not counted as a residential unit (permit # 9010802).
 6. Pursuant to Section 9.5-268 of the Monroe County Code (MCC), the owners of land upon which a dwelling unit or a mobile home used as a principle residence prior to the effective date of the Plan was lawful on the effective date of this Chapter shall be entitled to a density of one (1) dwelling unit for each such unit in existence on the effective date of the Chapter. Therefore, the allocated density for the property's land use district is not applicable for this development. The applicant may replace all permanent dwelling units that have been lawfully established regardless of the land use density.
 7. Section 9.5-268 of the MCC also distinguishes between a principle and a transient residence. Lawfully established transient residential units shall not be entitled to one (1) dwelling unit for each such unit in existence. Section 9.5-4 (T-4) of the MCC defines a transient residential unit as a dwelling unit used for transient housing such as a hotel or motel room, or space for parking a RV or travel trailer.

8. A letter and a map of the site depicting which units were long term (permanent) RV spaces was submitted by Tim J. Koenig dated February 3, 2005. These units were #ed 1, 2, 10, 12, 12, 13, 18, and 63. Staff reviewed permit history, compared the units on site to the 1990 Boundary Survey and Sketch, and conducted a site visit to aid in determining if in fact the RV's were used as a permanent residence.
9. Staff has determined that all seven (7) units are in fact used for transient purposes. An outline of the evidence used for the determination is attached below;

LOT	1990 Survey	Site Visit Pictures	Conversation	License Plate	Permits	Staff Opinion
1		RV 1.JPG		Mar-05	no	No-new model
2		RV 2.JPG	Man said he's been there for 6 months.	Dec-05	yes	NO
12		RV 12.JPG		Sep-05	no	NO
13	Used to be half of one Lot (#48)	RV 13.JPG			yes	No
14	Remaining part of Lot 48	RV 14.JPG		For Sale		No
18	Used to be part of one lot (lots 18, 19, 20)			No plate		No
63		RV 63.JPG		Mar-05	no	No

(pictures are included at the end of this letter as well as the 1990 survey comparing the existing units to those in 1990)

10. The applicant expressed an interest in replacing all the lawfully established units with new manufactured homes. The County's Floodplain Administrator discussed with Staff the manufactured home requirements from FEMA. Specifically, manufactured homes must be reinforced with three (3) foot FEMA approved piers in order to meet the State anchoring requirements. New Manufactured homes must be built to withstand Wind Zone 3, Exposure C (HUD Sticker). If the applicant chooses to replace the current units with used manufactured; the used manufactured must have been built after July of 1994.

11. The applicant plans to condominiumize the land; which would relinquish the applicant from subdividing and platting the parcel. The applicant shall comply with Chapter 718 of the Florida Statutes while including a management plan for the common, shared and private areas.
12. In addition to the requirements of Florida Statutes pertaining to condominiums; Staff requests an emergency exit and an on site laundry facility. Further, the process of redeveloping the site must be taken through the Minor Conditional Use process.
13. The minimum yard requirements for the URM-L zoning district are as follows: a front yard setback of ten (10), a rear yard setback of ten feet (10), and a side yard setback such that one side yard must be ten (10) feet for a combined total of twenty (20) feet. However, to remain consistent with the community character and the setback of the surrounding properties; staff is requesting the applicant apply a twenty-five (25) foot front yard setback along MacDonald Avenue.
14. The subject property is in an AE-9 Flood Insurance Rate Map (FIRM) panel 1798.
15. For any portion of the proposed development in the A-Zone, Section 9.5317 (b) (1) d of the MCC applies which requires the space below the lowest floor of an elevated structure shall be used exclusively for parking of vehicles, elevators, limited storage or building access purposes. As required by Federal Emergency Management Agency (FEMA), the ground floor enclosure can be built to a maximum of two-hundred ninety-nine (299) square feet using opaque materials. Any additional portion of an enclosed area of greater than two-hundred ninety-nine (299) square feet shall only be enclosed with screen or lattice.
16. Single family dwelling units require a minimum of two (2) parking spaces per unit as stated in Section 9.5-232. Parking shall not be located in the required setbacks. Given the forty-seven (47) lawfully established units, the applicant must provide at a minimum ninety-four (94) parking spaces.
17. Monroe County Code requires a vegetated buffer along land use district boundary buffers. This property will require several of these buffers. The northern property line shall require a class "C" district boundary buffer. This buffer must run the entire length of 500 feet. Staff recommends a width of ten (10) feet for this buffer due to setback requirements. At this length and width the buffer will require a total of twenty five (25) canopy trees, ten (10) understory trees and 100 shrubs. The eastern and the western property lines will both require a district boundary buffer of class "C". These buffers shall run along both property lines for the full distance of 310 linear feet. Staff recommends a width of ten (10) feet for both of these required buffers. At this width and length, these two buffers will each require a total of sixteen (16) canopy trees, seven (7) understory trees and sixty two (62) shrubs. Along the rear property line the land use changes approximately one third of the total distance from the eastern corner, thus the rear property line will need two different classes of buffer. The western two thirds of this property line is a boundary between the URM-L and the NA land use districts. This portion of the property shall require a class "E". The minimum width allowable for this buffer is thirty (30) feet. This buffer shall commence at the south western corner and run a total

length of 310 linear feet. At a width of thirty (30) feet and a length of 310 feet this buffer will require a total of thirty eight (38) canopy trees, nineteen (19) understory trees and 112 shrubs. The remainder of the rear property line shall have a class "C" buffer running a length of 190 feet. Staff recommends that this buffer be a width of ten (10) feet. This buffer will require a total of ten (10) canopy trees, four understory trees and thirty eight (38) shrubs.

18. Monroe County Code requires that all applications for development include a stormwater management plan which includes a detailed description of how and where stormwater will be retained on site. This plan shall be included with any application for development and shall be approved by the county biologist or engineer as appropriate.
19. The current edition of the United States Fish and Wildlife Habitat Listing for Monroe County does include this parcel as habitat which requires coordination upon application for development. This means additional coordination with the United States Fish and Wildlife Service will be required to obtain development approval on this parcel.
20. The rear property line for this property also coincides with 310 linear feet of wetland area. This will require a vegetated setback. However, a buffer is also required along this area of the property and it will suffice for the vegetated setback.
21. As stated above the applicant will be required to provide at minimum ninety-four (94) parking spaces based on the submitted site plan. Monroe County code requires that a development proposing more than six (6) parking spaces shall be required to install and maintain parking lot landscaping. Based on a land use designation of URM-L a landscaping standard of class "C" shall be applied. This will require a total planting area of 1,684 square feet. Within this planting area, which must be located within five feet of parking areas, a total of eight (8) canopy trees and forty (40) shrubs are required.

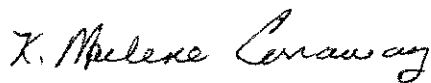
If this property is subject to a conditional use approval, the Planning Commission is empowered under Section 9.563 to modify or deny any application based on their review of the appropriateness of the proposed development within the context of surrounding properties and compliance with the LDRs and 2010 Comprehensive Plan. In Section 9.5-65 the Planning Commission and the Planning Director are required to consider all aspects of the development, impacts on the community and consistency with the goals, objectives and standards of the plan and LDRs before granting conditional use approval, approval with conditions or denial of a project. Therefore, the intensities, densities and possibilities for setback waivers detailed in this LOU are subject to the Planning Commission and/or the Planning Director conditional use review and approval.

Pursuant to Section 9.543 of the Monroe County Land Development Regulations (LDRs), you are entitled to rely upon the representations set forth in this letter of understanding as accurate under the regulations currently in effect. This letter does not provide any vesting to the existing regulations, if the Plan or LDRs are amended the property and/or project will be required to be consistent with all goals, objectives and standards at the time of development approval. The Planning Department acknowledges that all items required as a part of the application for

development approval may not have been addressed at the January 18, 2005 meeting, and consequently reserves the right for additional department comment. The information provided in this letter may be relied upon, with the previous disclaimers, for a period of three years. The Planning Director upon the request of the landowner may review and reaffirm the representations set forth in this letter for an additional period of time.

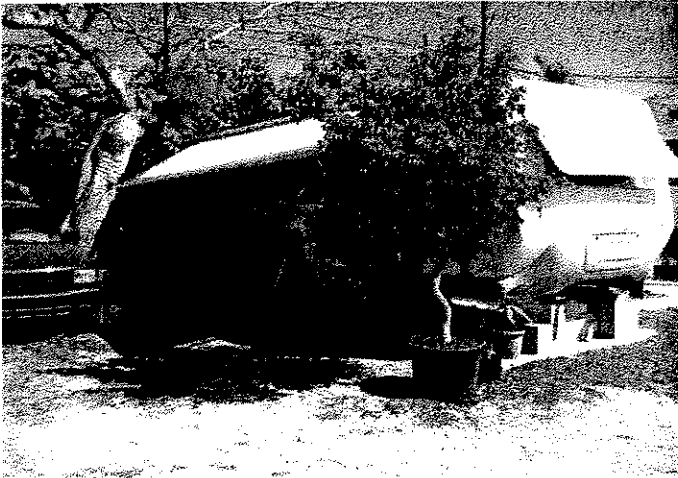
We trust that this information is of assistance. If you have any questions regarding the contents of this letter, or if we may further assist you with your project, please feel free to contact our Marathon office at (305) 289-2500.

Sincerely yours,

A handwritten signature in cursive script, reading "K. Marlene Conaway".

K. Marlene Conaway, Director
Planning and Environmental Resources

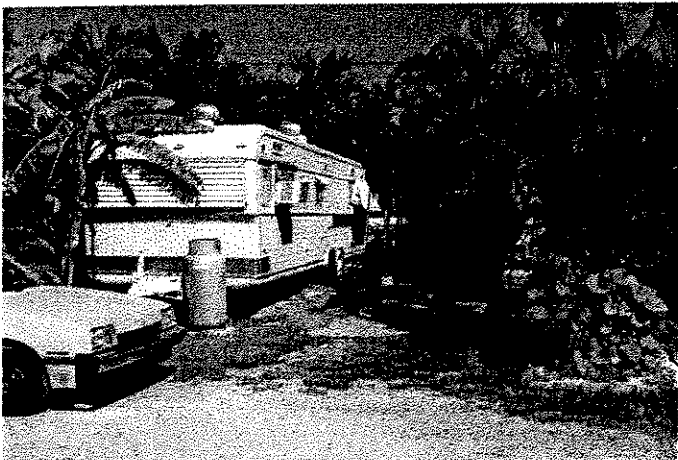
CC: Ervin Higgs, Property Appraiser
Timothy J. McGarry, AICP, Director of Growth Management
Beth LaFleur, Director of Island Planning
Aref Joulani, Senior Administrator of Development Review
Andrew Trivette, Senior Biologist
Ronda Norman, Director of Code Enforcement
Tom Williams, Senior Planner
Heather Beckmann, Planner



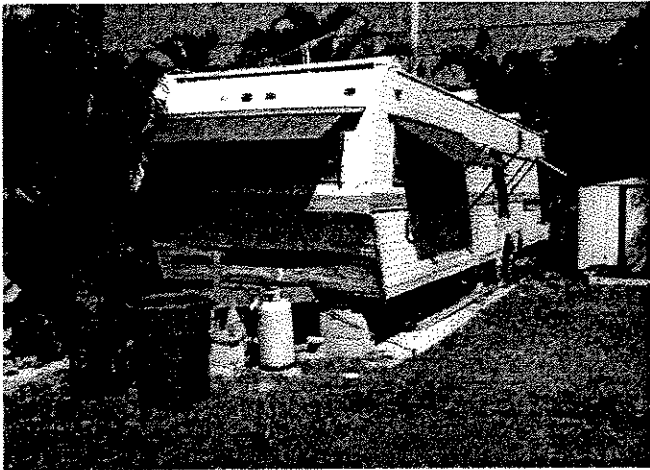
RV -1



RV - 2



RV - 12



RV- 13



RV- 14



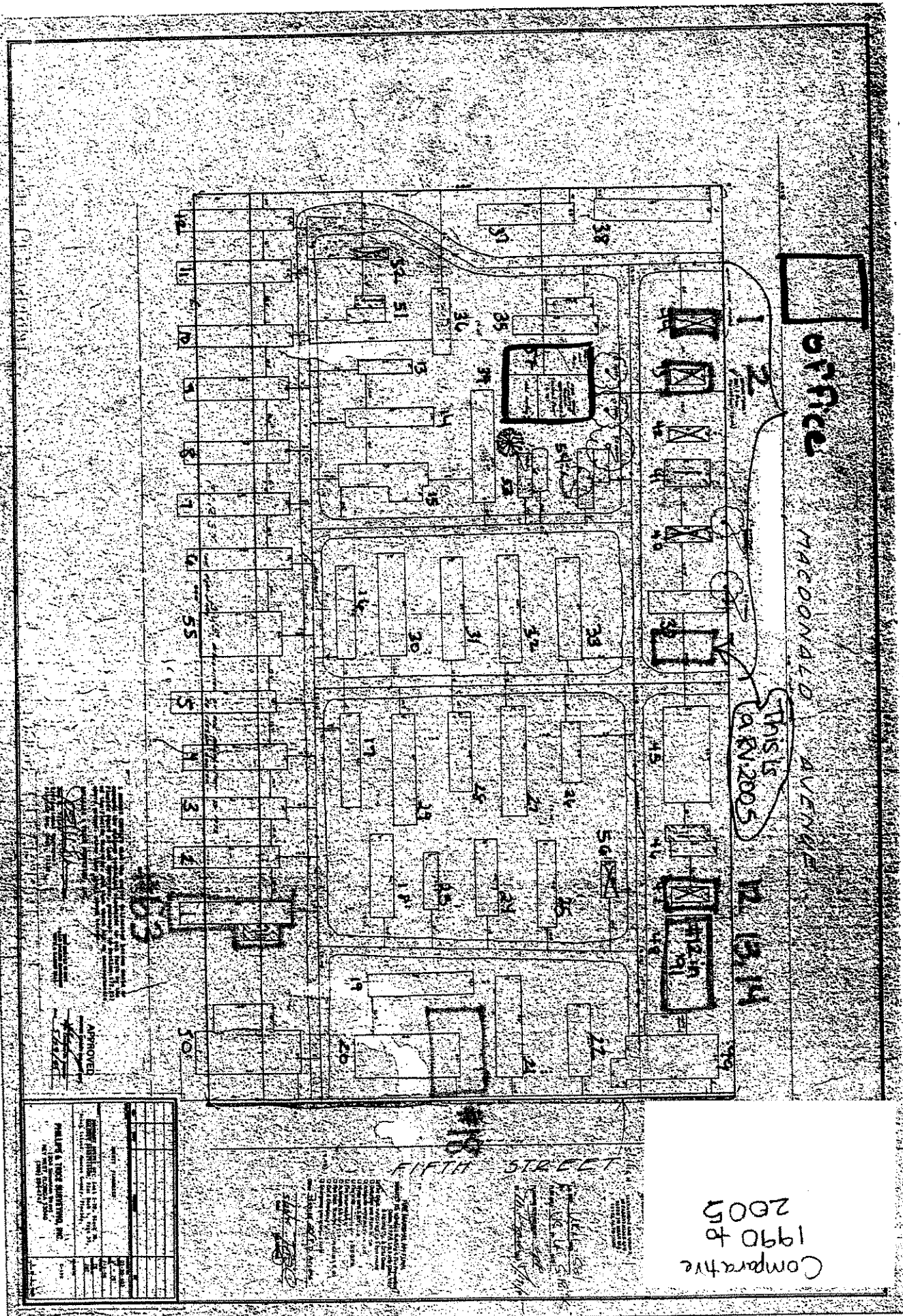
RV - 63



RV- 8
(not included, clearly an RV)

Permit #
 510736
 for
 chain
 link
 fence

FS 1,2,
 12,13,
 14,18,
 63
 were the
 ones
 indicated
 by Tim
 Smith
 to be
 permanent
 R.V.'s.



Comparative
 1990 to
 2005

PROPOSED LEASE

**LEASE
BETWEEN
MONROE COUNTY
“LESSOR”
AND**

“LESSEE”

DATED _____, 2006

<u>Table of Contents</u>		
Article	Title	Page No.
I	Definitions	3
II	Demised Premises	5
III	Term	6
IV	Rent	6
V	Non-Subordination	7
VI	Payment of Taxes	8
VII	Mechanics' Liens	9
VIII	Governing Law, Cumulative Remedies	10
IX	Indemnification of Lessor	10
X	Insurance	11
XI	Insurance Premiums	15
XII	Assignment	15
XIII	Condemnation	20
XIV	Construction	21
XV	Mortgage Financing	23
XVI	Default	28
XVII	Repair Obligations	31
XVIII	Additional Covenants of Lessee, Lessor	31
XIX	Representations, Warranties of Title and Quiet Enjoyment	33
XX	Miscellaneous	33

GROUND LEASE AGREEMENT

THIS LEASE made and entered into in Key West, Monroe County, Florida, on this ____ day of _____, 2006, by and between **MONROE COUNTY** (referred to as the "Lessor") and _____ (referred to as the "Lessee").

RECITALS

WHEREAS, Lessor is the owner in fee simple of the property located at _____, Monroe County, Florida, and more particularly described on the attached Exhibit "A" (hereinafter "Property"); and,

WHEREAS, it is Lessor's intent that the Property be developed to provide affordable housing for Monroe County; and,

WHEREAS, Lessee desires to develop the Property and build at least _____ affordable units (provided allowed by County regulations and hereinafter the "Affordable Housing Units"), and Initial Lessee may rent/lease any units not sold to qualified owner-occupants; and,

WHEREAS, in order to preserve the affordability of the units to be developed on the Property, Lessor desires to lease the Property to Lessee for ninety-nine (99) years, subject to the Affordable Restrictions as set forth herein; and,

NOW THEREFORE, in consideration of the mutual covenants and obligations contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

Definitions

"Affordable Housing Unit" shall mean a residential housing unit that meets the moderate income requirements set forth in Chapter 9.5 and any other applicable sections of the Monroe County Land Development Regulations, as may be amended from time to time, said restrictions to encumber the Property for a term of ninety-nine (99) years.

"Affordable Restrictions" shall mean the affordable guidelines as set forth in Chapter 9.5 and any other applicable sections of the Monroe County Land Development Regulations, and as hereinafter amended, except that in no event shall the lawfully permissible sales price for the Affordable Housing Unit be more than the sales price for moderate income housing as set forth in the Land Development Regulations in effect at the time of execution of this Lease. The substance of the Affordable Restrictions may be amended in the Lessor's legislative discretion, particularly with respect to administrative,

monitoring and enforcement mechanisms, but shall not materially diminish the resale value or reasonable alienability of an Affordable Unit. It is the intent and purpose and shall be the effect of this Lease and any Affordable Restrictions to ensure that the affordability of affordable units and dedicated real property is maintained and enforced such that any administrative rule, policy or interpretation thereof, made by Lessor or its designees relating to the maximum total amount permitted to be in any way involved in a purchase or rental transaction (including but not limited to purchase price, lease assignment fees or any other compensation received in or outside of a related transaction) shall never exceed the affordability criteria reasonably established by Monroe County for the dwelling units involved. In every case construction and interpretation of terms, conditions and restrictions imposed by this Lease and the Affordability Restrictions shall be made in favor of an interpretation that ensures long term affordable values.

“Association” shall mean the condominium, homeowners or similar community association customarily used in planned developments to manage certain aspects of community or planned development living (e.g., infrastructure management, rules and regulations, enforcement mechanisms and recreational facilities).

“Commencement Date” shall mean the date when all constructed Affordable Housing Units contemplated herein have received certificates of occupancy.

“Demised Premises” shall mean the property leased pursuant to this Lease for development of the Affordable Housing Units. The Demised Premises is depicted on attached Exhibit “B” and legally described on attached Exhibit “A”. Demised Premises, where the context requires and the construction is most appropriate, shall also mean portions of the Demised Premises and any improvements erected thereon.

“Effective Date” shall mean the date this Lease is fully executed and delivered by all parties and the date that the Lessee shall be entitled to begin to occupy the Demised Premises for purposes of development and construction of the Project.

“Initial Lessee” means _____, developer of the Affordable Units.

“Lease” shall mean this lease for the creation of the Affordable Housing Units on the Demised Premises, and where the context so requires, any similar authorized master lease provided for herein.

“Lease Year” shall mean the twelve (12) month period beginning on the Commencement Date and each twelve month period thereafter throughout the Term of this Lease.

“Lessor” means MONROE COUNTY, or its assigns or designees. Lessor as used herein, where the context requires, shall mean an agency or party designated by the Lessor to administer or enforce the provisions of this Lease.

“Lessee” means the Initial Lessee and its successors and assigns, including the Association created for the unit owners/tenants, as well as the individual unit owners/tenants.

“Project” shall mean the required development of the Demised Premises, primarily the required construction of forty (40) Affordable Housing Units, but also including related infrastructure, securing of required development approvals and permits, financing and marketing of the Affordable Units and creation of any required governing Association.

“Rent” shall mean any sum of money due to the Lessor under this Lease for any reason. The term Rent as used herein, should not be misconstrued to preclude definition of rent, rental rates and other such other meanings as may be provided for in Subleases and/or the Affordable Restrictions.

“Sale” and “Sell” as used herein shall be broadly and liberally construed so as to encompass, where contextually appropriate, any lease, sale, grant, rental, assignment or other conveyance of an interest in a portion of the Demised Premises, but excluding any security, mortgage, note or other interest of a form and type customarily used with purchase money or home equity loans.

“Sublease” shall mean any combination of instruments that grant, convey or otherwise transfer a possessory and or title interest to any portion of the Demised Premises, but excluding any security, mortgage, note or other interest of a form and type customarily used with purchase money or home equity loans. The title or exact nomenclature used to describe such instruments may vary to suit particular circumstances and shall lie within Initial Lessee’s reasonable discretion and still remain within the meaning herein intended (e.g., a “deed of improvements” may in a given context be construed as an effective sublease for purposes herein). It is intended that a Sublease constitute such instruments that effectuate qualified end-user, title, possession and/or use of Affordable Units developed on the Demised Premises. A Sublease, as used herein, regardless of final form and substance, must be approved by the Lessor, which approval shall not be unreasonably withheld.

“Term” shall mean the date when all constructed Affordable Housing Units contemplated herein have received certificates of occupancy, and continuing for ninety-nine (99) years, plus any agreed upon extension of this Lease.

ARTICLE II

Demised Premises

Section 2.01 Lessor’s Demise. Upon the terms and conditions hereinafter set forth, and in consideration of the payment of the rents and the prompt performance by the Lessee of the covenants and agreements, to be kept and performed by the Lessee, the Lessor does lease, let, and demise to the Lessee and the Lessee hereby leases from the Lessor, the following described premises, situate, lying and being in Monroe County, Florida:

See Attached Exhibits "A" and "B"

Section 2.02 Conditions. The demise is likewise made subject to the following:

(a) Conditions, restrictions and limitations, if any, now appearing of record;

(b) Zoning ordinances of the County of Monroe, State of Florida, and any other applicable governmental body now existing or which may hereafter exist by reason of any legal authority during the life of this Lease;

(c) The proper performance by the Lessee of all of the terms and conditions contained in this Lease.

ARTICLE III

Term

To have and to hold the Demised Premises for a term of ninety-nine (99) years commencing the date the Affordable Housing Units have been completed and issued certificates of occupancy, the Commencement Date, and ending ninety-nine (99) years thereafter, both dates inclusive, unless sooner terminated, or extended, as hereinafter provided. Lessee shall be given possession on the Effective Date and the terms and conditions set forth herein shall be binding on the parties as of the Effective Date. Lessee shall have the right to occupy the Demised Premises as of the Effective Date in order to allow Lessee to commence construction, as well as other activities related to the development and construction of the Project. As herein set forth, the Term will not commence until the Affordable Housing Units are completed and certificates of occupancy have been issued for all such Affordable Units, said date to be evidenced by the Commencement Date Agreement that the parties will execute in substantially the same form as that set forth in **Schedule 1**, upon completion of construction.

ARTICLE IV

Rent

Section 4.01. Lessee covenants and agrees to pay to Lessor promptly when due, without notice or demand, and without deduction or offset, Rent for the Demised Premises during the Term as follows:

(a) Annual Base Rent. Lessee shall pay to Lessor Annual Base Rent throughout the term of this Lease beginning on the Commencement Date, in the amount of Ten Dollars (\$10.00) per Lease Year or partial Lease Year. Lessee shall

pay to Landlord said Annual Base Rent on the first day of the second month of each Lease Year throughout the term of this Lease without notice or demand.

Section 4.02. All amounts payable under Section 4.01 hereof, as well as all other amounts payable by Lessee to Lessor under the terms of this Lease, shall be payable in lawful money of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, each payment to be paid to Lessor at the address set forth herein or at such other place within the continental limits of the United States as Lessor shall from time to time designate by notice to Lessee. Except for any income tax payable by the Lessor, Lessee shall pay any and all taxes, including any local surcharge or other tax, on the Rent payable pursuant to this Lease in addition to the sums otherwise set forth herein.

Section 4.03. It is intended that the Rent provided for in this Lease shall be absolutely net to Lessor throughout the Term, free of any taxes, costs, utilities, insurance expenses, liabilities, charges or other deductions whatsoever, with respect to the Demised Premises and/or the ownership, leasing, operation, maintenance, repair, rebuilding, use or occupation thereof.

Section 4.04. All amounts payable by Lessee to Lessor under any of the provisions of this Lease, if not paid when due as provided for in this Lease, shall bear interest at the highest rate allowable under Florida law from the time they become due until paid in full by Lessee. In addition, Lessee shall pay a late fee in the amount of ten (10%) percent of any amount due from Lessee to Lessor which is not paid within ten (10) days of the due date for such payment as to any sums due for Rent and within thirty (30) days for any other sums due from Lessee pursuant to this Lease; provided, however, such payment shall not excuse or cure any default by Lessee under this Lease. It is agreed by the parties hereto that said late fee should be used for setoff against reimbursement to Lessor for collection charges incurred as a result of the overdue rent which may include but shall not be limited to related attorneys' fees, regardless of whether suit is brought. Such late fee shall be in addition to any interest payable by Lessee as set forth herein from Lessee's failure to pay any Rent due hereunder. In the event that any check, bank draft, order for payment or negotiable instrument given to Lessor for any payment under this Lease shall be dishonored for any reason whatsoever not attributable to Lessor, Lessor shall be entitled to charge Lessee an administrative charge of Fifty Dollars (\$50.00). In addition, Lessor shall be reimbursed by Lessee for any costs incurred by Lessor as a result of said instrument being dishonored.

ARTICLE V

Non-Subordination

Notwithstanding anything to the contrary contained in this Lease, the fee simple interest in the Demised Premises shall not be subordinated to any leasehold mortgage, lien or encumbrance of any nature whatsoever. Furthermore, the Lessor's right to receive payment or performance under the terms of this Lease or adherence to any of its conditions

(or those of any Sublease or related conveyance) shall not be subordinated to any debt or equity financing, leasehold mortgage, lien, encumbrance or obligation of any nature whatsoever.

ARTICLE VI

Payment of Taxes and Utilities

Section 6.01 Lessee's Obligations. As additional Rent, the Lessee shall pay and discharge, as they become due, promptly and before delinquency, all taxes, assessments, water and sewer rents, rates and charges, transit taxes, charges for public utilities, excises, levies, licenses and permit fees and other governmental charges, general and special, ordinary and extraordinary, unforeseen and foreseen, of any kind and nature, whatsoever, which at any time during the term of this Lease may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on, the Demised Premises, or any part thereof or any appurtenance thereto, or otherwise arising out of the income received by the Lessee from the sale of the affordable units to subtenants, or any document (to which the Lessee is a party) creating or transferring an interest or estate in the Demised Premises. With regards to special assessments, if the right is given to pay either in one sum or in installments, Lessee may elect either mode of payment and Lessee's election shall be binding on Lessor.

Section 6.02 Obligations Altered. Nothing herein shall require the Lessee to pay municipal, state, or federal income taxes assessed against the Lessor, municipal, state, or federal capital levy, estate, gift, succession, inheritance or transfer taxes of the Lessor, or Lessor's legal representative, corporate franchise taxes imposed upon any corporate owner of the fee of the Demised Premises; provided, however, that if at any time during the term of this Lease the methods of taxation prevailing at the commencement of the term hereof shall be altered so as to cause the whole or any part of the taxes, assessments, levies, impositions or charges now levied, assessed and imposed, wholly or partially as a capital levy, or otherwise, on the rents received therefrom, or of any tax, corporation franchise tax, assessments, levy (including, but not limited to any municipal, state or federal levy), imposition or charge, or any part thereof, shall be measured by or based in whole or in part upon the Demised Premises and shall be imposed upon the Lessor, then all such taxes, assessments, levies, impositions or charges, or the part thereof so measured or based, shall be paid and discharged by the Lessee. All rebates on account of any taxes, rates, levies, charges or assessments required to be paid shall belong to Lessee.

Section 6.03 Mode of Payment. The Lessee shall pay the taxes and other charges as enumerated in this Article and shall deliver official receipts evidencing such payment to the Lessor, which payment of taxes shall be made and the receipts delivered, at least thirty (30) days before the tax, itself, would become delinquent in accordance with the law then in force governing the payment of such tax or taxes. If, however, the Lessee desires to contest the validity of any tax or tax claim, the Lessee may do so without being in default hereunder, provided the Lessee gives the Lessor notice of the Lessee's intention to do so and furnishes

the Lessor or the applicable governmental agency with a bond with a surety made by a surety company qualified to do business in the State of Florida or pays cash to a recognized escrow agent in Monroe County, one and one half (1 ½) times the amount of the tax item or items intended to be contested, conditioned to pay such tax or tax items when the validity thereof shall have been determined, and which written notice and bond or equivalent cash shall be given by the Lessee to the Lessor, not later than sixty (60) days before the tax item or items proposed to be contested would otherwise become delinquent.

Section 6.04 Lessee's Default. If the Lessee shall fail, refuse or neglect to make any of the payments required in this Article, then the Lessor may pay the same, and the amount or amounts of money so paid, including reasonable attorneys' fees and expenses which might have been reasonably incurred because of or in connection with such payments, together with interest on all such amounts, at the highest rate allowed by law shall be repaid by the Lessee to the Lessor, upon the demand of the Lessor, and the payment thereof may be collected or enforced by the Lessor in the same manner as though such amount were an installment of rent specifically required by the terms of this Lease to be paid by the Lessee to the Lessor, upon the day when the Lessor demands repayment thereof or reimbursement therefor of and from the Lessee; but the election of the Lessor to pay such taxes shall not waive the default thus committed by the Lessee.

Section 6.05 Proration. The foregoing notwithstanding, the parties hereto understand and agree that the taxes for the first year (beginning on the Effective Date) and the last year of the Term shall be prorated proportionately between the Lessor and the Lessee.

ARTICLE VII

Mechanic's Liens

Section 7.01 No Lien. The Lessee shall not have the power to subject the interest of the Lessor in the Demised Premises to any mechanic's or materialmen's liens or lien of any kind.

Section 7.02 Release of Lien. The Lessee will not permit or suffer to be filed or claimed against the interest of the Lessor in the Demised Premises during the continuance of this Lease, any lien or claim of any kind (excepting for the mortgage(s) referred to in Article XV), and if such lien be claimed or filed, it shall be the duty of the Lessee, within thirty (30) days after the Lessee shall have been given written notice of such a claim having been filed, or within thirty (30) days after the Lessor shall have been given written notice of such claim and shall have transmitted written notice of the receipt of such claim unto the Lessee (whichever thirty (30) day period expires earlier) to cause the Demised Premises to be released from such claim, either by payment or by the posting of bond or by the payment to a court of competent jurisdiction of the amount necessary to relieve and release the Demised Premises from such claim, or in any other manner which, as a matter of law, will result, within such period of thirty (30) days, in releasing the Lessor and the title of the Lessor from such claim; and the Lessee covenants and agrees, within such period of thirty

(30) days, so as to cause the Demised Premises and the Lessor's interest therein to be released from the legal effect of such claim.

Section 7.03 Lessee's Default. If the Lessee shall fail, refuse, or neglect to perform its obligations as required in this Article, then the Lessor may pay any sums required to cause the Demised Premises and the Lessor's interest therein to be released from the legal effect of such claim and the amount or amounts of money so paid, including reasonable attorneys' fees and expenses which might have been reasonably incurred because of or in connection with such payments, together with interest on all such amounts at the highest rate allowed by law shall be repaid by the Lessee to the Lessor, upon the demand of the Lessor, and the payment thereof may be collected or enforced by the Lessor in the same manner as though such amount were an installment of rent specifically required by the terms of this Lease to be paid by the Lessee to the Lessor, upon the day when the Lessor demands repayment thereof or reimbursement therefor of and from the Lessee; but the election of the Lessor to pay such amount shall not waive the default thus committed by the Lessee.

ARTICLE VIII

Governing Law, Cumulative Remedies

Section 8.01 Governing Law. All of the rights and remedies of the respective parties shall be governed by the provisions of this instrument and by the laws of the State of Florida.

Section 8.02 Cumulative Remedies. During the continuance of the Lease, the Lessor shall have all rights and remedies which this Lease and the laws of the State of Florida assure to it. All rights and remedies accruing to the Lessor shall be assignable in whole or in part and be cumulative, that is, the Lessor may pursue such rights as the law and this Lease afford to it in whatever order the Lessor desires and the law otherwise permits without being compelled to resort to any one remedy in advance or in waiver or compromise of any other.

ARTICLE IX

Indemnification of Lessor

Section 9.01 Indemnification by Lessee. During the Term of the Lease, the Lessee will indemnify, defend and save harmless the Lessor against any and all claims, debts, demands or obligations which may be made against the Lessor or against the Lessor's title in the Demised Premises, arising out of, or in connection with, or in any way related to the Demised Premises, except to the extent such claims may be caused by negligence or misconduct of the Lessor (or its agents or employees in the conduct of work for or at the

direction of the Lessor); and if it becomes necessary for the Lessor to respond to any claim, demand or unanticipated matter or to defend any action seeking to impose any such liability, the Lessee will pay the Lessor all costs of court and reasonable attorneys' fees incurred by the Lessor in effecting, preparing for or anticipating such response or defense in addition to any other reasonable sums which the Lessor may be called upon to pay by reason of the entry of a judgment against the Lessor in any proceeding in which such claim is asserted.

Except for loss or damage arising out of Lessor's grossly negligent or intentional acts, Lessor shall not be liable to Lessee, or to Lessee's assignees or Sublessees or the employees, agents, contractors or invites of any such person, firm or entity, for any injury or damage to person or property in or about the Demised Premises. Lessee, on its and its assignees' and successors in interests' (whole or partial) behalves, including on behalf of any future Sublessees, grantees or licensees of the Initial Lessee, Lessee or Association, hereby assumes or otherwise covenants for the acceptance by such persons sole responsibility and liability to all persons and authorities related to or arising from the possession, occupancy and use of any portion of the Leased Premises, and also for all such future occupants, owners, Lessees, Sublessees and licensees waives and releases forever all claims, demands and causes of action against Lessor and its employees, agents, successors, assigns and representatives for loss of life or injury to person or property, of whatever nature, other than that arising out of such parties' intentionally wrongful acts.

Section 9.02 Insurance. On the Effective Date the Lessee shall cause to be written and put in full force and effect a policy or policies of insurance as noted in Article X insuring the Lessee against any and all claims and demands made by any person or persons whomsoever for injuries received in connection with the operation and maintenance of the Demised Premises. All such policies shall name the Lessee and the Lessor (and any lender holding a mortgage on the Demised Premises), as their respective interests may appear, as the persons insured by such policies. Any loss adjustment shall require the written consent of both the Lessor and Lessee.

Section 9.03 Policy Limit Changes. The policy limits for the comprehensive liability insurance may be reviewed by Lessor every five (5) years and adjusted upward, if, in the reasonable discretion of Lessor such increase in coverage is prudent or if similar projects have begun to require greater insurance coverage.

ARTICLE X

Insurance

Section 10.01 Property Insurance. From and after the Effective Date, the Lessee will keep insured any and all buildings and improvements upon the Demised Premises against all loss or damage by fire, flood and windstorm, together with "all risks" "extended coverage," which said insurance will be maintained in an amount sufficient to prevent any party in interest from being or becoming a co-insurer on any part of the risk, which amount

shall not be less than full Replacement Cost value of the Demised Premises, and all of such policies of insurance shall include the name of the Lessor as an additional insured and shall fully protect both the Lessor and the Lessee as their respective interests may appear. In the event of destruction of the said buildings or improvements by fire, flood, windstorm or other casualty for which insurance shall be payable and as often as such insurance money shall have been paid to the Lessor and the Lessee, said sums so paid shall be deposited in a joint account of the Lessor and the Lessee in a bank located in the County in which the Demised Premises is located designated by the Lessee, and shall be made available to the Lessee for the construction or repair, (including any modification to the improvements sought by the Lessee and approved in writing by the Lessor with Lessor's approval not unreasonably withheld) as the case may be, of any building or buildings damaged or destroyed by fire, flood, windstorm or other casualty for which insurance money shall be payable and shall be paid out by the Lessor and the Lessee from said joint account from time to time on the estimate of any reliable architect licensed in the State of Florida having jurisdiction of such reconstruction and repair, certifying that the amount of such estimate is being applied to the payment of the reconstruction or repair and at a reasonable cost therefor; provided, however, that the total amount of money necessary for the reconstruction or repair of any building or buildings destroyed or injured has been provided by the Lessee for such purpose and its application for such purpose assured. In the event of the destruction or damage of the buildings and improvements or any part thereof, and as often as any building or improvement on said Demised Premises shall be destroyed or damaged by fire, flood, windstorm or other casualty, the Lessee shall rebuild and repair the same in such manner that the building or improvement so rebuilt and repaired, and the personal property so replaced or repaired, shall be of the same or higher value as the said building or improvement and the personal property upon the Demised Premises prior to such damage or destruction, and shall diligently prosecute the reconstruction or repairs without delay and have the same rebuilt and ready for occupancy as soon as reasonably possible from the time when the loss or destruction occurred. The 15-month period for reconstruction shall be enlarged by delays caused without fault or neglect on the part of the Lessee, by act of God, strikes, lockouts, or other conditions (other than matters of refinancing the property) beyond the Lessee's control. **Notwithstanding the foregoing, and only with respect to insurance proceeds, the reasonable provisions of any leasehold mortgage substantially comporting with customary institutional lending industry standards and the foregoing Lessor's interests shall control as to the use and disbursement of insurance funds for reconstruction of the improvements in the event of any casualty or damage to such improvements.**

While the Project, or any replacement thereof, is in the course of construction, and whenever appropriate while any alterations are in the course of being made, the aforesaid fire and extended coverage insurance shall be carried by Lessee in builder's risk form written on a completed value basis.

Notwithstanding anything to the contrary in the immediately preceding paragraph, in case of destruction of all of the improvements on the Demised Premises from any cause so as to make all units untenable occurring during the last ten (10) years of the Term of this Lease, Lessee, if not then in default under this Lease and if there is no leasehold

mortgage or other similar encumbrance on the Lessee's interest in the Demised Premises, may elect to terminate this Lease by written notice to Lessor within thirty (30) days after the occurrence of the destruction. In the event this Lease has been assigned to the Association, the Association must obtain any necessary vote to terminate. In the event of termination, there shall be no obligation on the part of Lessee to restore or repair the improvements on the Demised Premises, nor any right of the Lessee to receive any proceeds collected under any insurance policies covering the improvements. If Lessee elects not to terminate this Lease in the event of destruction during the last ten (10) years of this Lease, the proceeds of all insurance covering the improvements shall be made available to Lessee for repairs, and Lessee shall be obligated to repair as set forth above.

Section 10.02 Commercial General Liability Insurance. The Initial Lessee and the Association (upon assignment to the Association) shall maintain Commercial General Liability Insurance beginning on the Effective Date and continuing during the entire Term of this Lease. The Commercial General Liability Insurance shall cover those sources of liability which would be covered by the latest edition of the standard Commercial General Liability Coverage Form [ISO Form CG 00-01] as filed for use in Florida without the attachment of restrictive endorsements other than the elimination of medical payments and fire damage legal liability.

General Aggregate	\$1,000,000
Products/Completed Operations	\$2,000,000
[coverage for 3 years after project completion]	
Each Occurrence	\$1,000,000
Contractual Liability	\$1,000,000

Additional Named Insured: Lessor, or its assigns or designees, as from time to time designated, shall be included as additional insureds for Commercial General Liability.

Section 10.03 Environmental Impairment Responsibility. The Lessee and/or its contractors acknowledge that the performance of this Lease is, or may be, subject to Federal, State and local laws and regulations enacted for the purpose of protecting, preserving or restoring the environment. The Lessee shall at the sole cost of the Lessee or its Contractors, be responsible for full compliance with any such laws or regulations.

Section 10.04 Other Insurance. Lessee shall maintain such other insurance and in such amounts as may from time to time be reasonably required by the Lessor against other insurable hazards which at the time are commonly insured against in the case of construction of buildings and/or in the case of premises similarly situated, due regard being or to be given to the location, construction, use and occupancy. In the event the Lessee believes the Lessor's requirement for such additional insurance is unreasonable the reasonableness of Lessor's request shall be determined in accordance with the rules of the American Arbitration Association. Such determination as to the requirement of coverage and the proper and reasonable limits for such insurance then to be carried shall be binding on the parties and such insurance shall be carried with the limits as thus determined until such limits shall again be changed pursuant to the provisions of this Section. The expenses

of such determination shall be borne equally by the parties. This procedure may only be requested on each five (5) year anniversary date of the Lease.

Section 10.05 Proceeds Payable to Mortgagee. If any mortgagee holding a mortgage created pursuant to the provisions of Article XV elects, in accordance with the terms of such mortgage, to require that the proceeds of the insurance be paid to the mortgagee, then such payment shall be made, but in such event, it shall still be obligatory upon the Lessee to create the complete fund with the leasehold mortgagee in the manner set forth in this Article to assure and complete the payment for the work of reconstruction and repair. Any mortgagee holding insurance proceeds shall require such proceeds are properly used to ensure repairs.

Section 10.06 Damages; Insurance Proceeds; Joint Bank Account. Any excess of money received from insurance remaining in the joint bank account after the reconstruction or repair of such building or buildings, if the Lessee is not in default, shall be paid to the Lessee, and in the case of the Lessee not entering into the reconstruction or repair of the building or buildings within a period of six months from the date of payment of the loss, after damage or destruction occasioned by fire, windstorm, flood or other cause, and diligently prosecuting the same with such dispatch as may be necessary to complete the same in as short a period of time as is reasonable under the circumstances after the occurrence of such damage or destruction, then the amount so collected, or the balance thereof remaining in the joint account, as the case may be, shall be paid to the Lessor and it will be at the Lessor's option to terminate the Lease, unless terminated by Lessee within the last ten (10) years of the Lease as set forth above, and retain such amount as liquidated and agreed upon damages resulting from the failure of the Lessee to promptly, within the time specified, complete such work of reconstruction and repair.

Section 10.07 Direct Repayment. The foregoing notwithstanding, in the event the insurance proceeds are the sum of One Hundred Thousand and 00/100 Dollars (\$100,000.00) or less, then such proceeds shall be paid directly to the Lessee without the necessity of creating the joint bank account, and Lessee shall use such funds to make the replacements or repairs. Lessee shall provide proof satisfactory to Lessor that repairs are completed as required within 180 days of the receipt of such insurance proceeds.

Section 10.08 General Requirements. All insurance to be provided by Lessee under this Lease shall be effected under valid and enforceable policies in such forms, issued by insurers of recognized financial responsibility qualified to do business in Florida which have been approved by Lessor, which approval shall not be unreasonably withheld. All policies of insurance provided for in this Article shall, to the extent obtainable, contain clauses or endorsements to the effect that (a) no act or negligence of Lessee or anyone acting for Lessee or for any Sublessee or occupant of the Demised Premises which might otherwise result in a forfeiture of such insurance or any part thereof shall in any way affect the validity or enforceability of such insurance insofar as Lessor, and that (b) such policy of insurance shall not be changed or cancelled without at least thirty (30) days written notice to the Lessor, and that (c) the Lessor shall not be liable for any premiums thereon or subject to any assessments thereunder.

Section 10.09 Subsequent Lessees, Assignees, Sublessees and Grantees. Any parties who subsequently become holders of any title or possessory interest to a portion of the Demised Premises, shall upon request provide, in a form satisfactory to Lessor, proof of customary and reasonable insurance adequate and sufficient to cover and protect all interests of the Lessor as set forth in this Article above, at least to the extent and value of that subsequent interest holder's insurable interest. The same procedures for the use and application of insurance proceeds as set forth above may be required for such subsequent interest holders and the same remedies for failure to comply with such insurance requirements available to Lessor with respect to the Initial Lessee shall also be available to Lessor as to any future interest holder in the Demised Premises, and such future interest holder shall name Lessor as an additional insured on any required insurance policies hereunder.

ARTICLE XI

Insurance Premiums

The Lessee shall pay premiums for all of the insurance policies which the Lessee is obligated to carry under the terms of this Lease. In the event Lessee fails to obtain and pay for the necessary insurance, Lessor shall have the right, but not the obligation, without notice to Lessee, to procure such insurance and/or pay the premiums of such insurance, in which case Lessee shall repay Lessor immediately upon demand by Lessor as additional rent. The Lessor shall have the same rights and remedies with respect to procurement of such insurance and/or payment of such insurance premiums in the event a future subsequent partial interest holder (e.g., Sublessee, Association) fails to obtain and pay for the necessary insurance.

ARTICLE XII

Assignment/Transfer

Section 12.01 Assignment by Initial Lessee. Without the written consent of Lessor, first obtained in each case, Initial Lessee shall not assign or sublet any portion of the Demised Premises, or change management of the Demised Premises, except as otherwise provided herein. Notwithstanding the foregoing, Lessor acknowledges and agrees that the Affordable Housing Units are to be developed as units for sale or rent to moderate income qualified third parties, as defined in the Affordable Restrictions; therefore, these units may be sold, rented and occupied without the Initial Lessee obtaining consent from Lessor for such sale/subletting, provided that Initial Lessee shall follow the guidelines set forth herein. In the event a unit is to be rented to a qualified third party, Lessor and Initial Lessee agree that said unit shall be rented by Initial Lessee at rates allowable for Affordable Housing for moderate income qualified third parties.

Upon the transfer/sale of each unit to be sold by Initial Lessee, or any successor

Lessee hereunder, Lessor or its designee shall attorn to the rights of Initial Lessee, or subsequent Lessee, as the case may be, with respect to each transferred/sold unit. In conjunction and contemporaneously with the sale or transfer of each such unit, Initial Lessee, or any successor Lessee, shall ensure the release of any and all mortgage, mechanic's lien or other similar claims with respect to the relevant portion of the Demised Premises other than new Sublessee purchase money mortgages and the like, as permitted in Article XV. Upon the transfer/sale of the last unit to be sold by Initial Lessee, Initial Lessee will be authorized to assign this Lease for any remaining property (common area) to a homeowners' condominium or similar Association to be created by the Initial Lessee for the unit owners. Any such Association and its related declaration, articles of incorporation, bylaws and any documents, exhibits or attachments, as may be amended, shall first be approved by Monroe County for compliance with the goals, purposes and intent of the Affordable Restrictions, which approval shall not be unreasonably withheld. No declaration or covenant related to such Association shall materially alter or impair the affordability and enforcement administration provisions of this Lease. Upon such assignment, Initial Lessee will be released from any liability related to this Lease, including but not limited to any liability discussed in Article IX, except that Initial Lessee shall remain liable to the extent Initial Lessee remains the owner of any units and is renting such units, notwithstanding design, construction and other defects for which developer/builders are otherwise responsible under the law. The unit owners (as Sublessees) and the Association shall assume all responsibilities of the Initial Lessee (with the exception of the consent for assignment of a sublease). Notwithstanding the foregoing, Initial Lessee's duty to find or identify a qualified purchaser, as set forth below, shall become the responsibility of the Lessor (unless assigned by Lessor as set forth below) for the resale of the Affordable Housing Units and shall not become the responsibility of the Association. It is hereby acknowledged that Lessor shall have the right to assign its duties and rights related to the assignment of subleases, i.e. finding a qualified purchaser for resales, or renter(s), in the case of rental units, to the Monroe County Housing Authority, or to any other governmental entity or profit or non-profit organization designated and approved by Monroe County. In the event this duty is assigned, reference to "Lessor" in this Section 12.01 shall also refer to that entity which accepts the duty.

Section 12.02 Initial Sale/Lease of Unit By Developer/Initial Lessee. Initial Lessee acknowledges that these units are being developed for affordable housing. Furthermore, Initial Lessee acknowledges that there shall be reserved by appropriate deed restriction, in a form approved by Lessor, a right of first refusal in favor of Lessor to purchase or designate purchasers for any affordable units offered for sale or lease. Initial Lessee shall provide Lessor with written notice of its intent to commence marketing efforts and Lessor shall have ninety (90) days from the date of receipt of the notice to Lessor to enter into a reservation agreement with Initial Lessee for the purchase/lease of all or a portion of the units. The Monroe County Housing Authority may provide the Initial Lessee with a list of pre-qualified individuals who shall be given first opportunity to purchase/lease a specified number of units at a purchase price/rental rate allowable under the Affordable Restrictions, but must do so reasonably promptly within the ninety (90) day notice period which Initial Lessee need not extend for this purpose. In the event that Lessor does not elect to purchase or designate purchasers for the units offered to it pursuant to such right of first refusal, Initial

Lessee shall be free to sell the units to individuals otherwise qualified to own/rent such units and subject to all other affordable housing covenants of record. Notwithstanding anything contained herein to the contrary, all purchasers/lessees of such affordable units shall meet Monroe County's requirements of moderate or lesser income affordable housing, adjusted for family size. All purchasers/lessees of the affordable units shall be required to execute a letter of acknowledgement in a form substantially as attached hereto and found on Exhibit ____.

Section 12.03 Assignment/Transfer by Sublessees. Lessor and Initial Lessee agree that Initial Lessee shall sublet each individual unit to the buyers of said units or the tenants of said units. At such time as any individual unit owner ("Sublessee") desires to sell, assign or otherwise transfer their units and interests, the Sublessee shall be required to follow the procedures set forth herein and such reasonable implementing procedures authorized or directed by Monroe County and any conveyance, transfer or other disposition and the acceptance of such transfers shall be deemed an automatic and irrevocable agreement to the conditions set forth herein.

Section 12.04 Required Notice of Restrictions. Any conveyance, lease, assignment, grant or other disposition of any interest made with respect to any portion of the Demised Premises other than those mortgage interests provided for in Article XV, shall contain the following required Notice of Restrictions in a conspicuous location on the upper one-half of the first page of the relevant instrument effectuating the interest, in bold capital typed letters greater than or equal to 14 point font:

NOTICE OF RESTRICTIONS

ANY INSTRUMENT OF CONVEYANCE, LEASE, ASSIGNMENT, GRANT OR OTHER DISPOSITION OF ANY INTEREST IN OR TO ANY PORTION OF THE DEMISED PREMISES OR TO ANY IMPROVEMENTS ERECTED THEREON WILL BE SUBJECT TO CERTAIN RESTRICTIONS INCLUDING BUT NOT LIMITED TO RIGHTS OF FIRST REFUSAL, USE, OCCUPANCY, INCOME, MEANS, RESALE PRICE, RENTAL AND MORTGAGE LIMITATIONS, INCLUDING BUT NOT LIMITED TO THOSE SET FORTH IN OFFICIAL RECORDS BOOK __, PAGE __ OF THE PUBLIC RECORDS OF MONROE COUNTY, FLORIDA.

The recorded book and page of this Lease and any other relevant previously recorded restrictions (e.g., homeowners' association governing documents or master unsatisfied/unreleased mortgages) affecting the respective portion of the Demised Premises shall be set forth in the Notice of Restrictions. Any instrument of conveyance, lease, assignment or other disposition made without following the notice procedures set forth herein shall be void and confer no rights upon any third person, though such instruments may in some cases be validated by fully correcting them according to procedures established by Lessor, as determined in Lessor's sole discretion so as to ensure compliance with the public affordability purposes furthered by this Lease and the Affordable Restrictions.

Section 12.05 Follow-on Sales or Rentals of Units and Assignments of Lease Requirements. In order for an owner or subsequent owner to sell or rent their unit and assign their Sublease they shall be required to comply with the following:

- a. Sublessee shall notify the Lessor in writing of their desire to sell or rent the unit and assign the sublease, said notice hereinafter referred to as a "Transfer Notice." The Transfer Notice shall include the proposed purchase price for the Affordable Housing Unit, and any other compensation permitted the Seller relating to the proposed sale, which shall be in accordance with the Affordable Restrictions.
- b. Lessor shall have forty-five (45) days from date of receipt of the written Transfer Notice to find or identify an income qualified purchaser or renter who meets the moderate or lesser income requirements for purchasing or renting the affordable unit. **Lessor may require that any unit originally sold as an affordable "ownership" and occupancy unit that is made the subject of any offer to rent or attempted or actual rental be deemed an irrevocable offer to sell pursuant to the terms of this Lease.**
 1. The sales price shall be the lesser of (i) the purchase price set forth in the Transfer Notice or (ii) the highest price permitted under the Affordable Restrictions. All additional terms of the contract shall be consistent with the Affordable Restrictions. Sublessee hereby agrees to execute a contract with a pre-qualified purchaser identified by the Lessor and to cooperate with reasonable closing procedures so long as they meet the Affordable Restrictions.
 2. In the event Lessor finds an income qualified purchaser, Lessor will assist in coordinating the closing on the affordable unit. The closing shall be scheduled to occur within seventy-five (75) days from the effective date of the contract for the sale of the unit, unless extended by the mutual agreement of the parties.
- c. In the event Lessor fails to identify an income qualified purchaser who enters into a purchase contract within forty-five (45) days and who closes as provided above, and provided that Sublessee has fully complied with all required Lease and related procedures, Sublessee shall be entitled to sell the property to an income qualified purchaser pursuant to the terms set forth in the complying Transfer Notice. In this event, Sublessee shall first obtain approval from the Lessor in order to allow Lessor the ability to review the proposed contract terms to ensure that the purchase terms and the potential purchaser meet the requirements for purchasing the affordable housing unit, which approval shall not be unreasonably withheld. Sublessee shall provide Lessor with a full copy of a written purchase and sale contract (and all

addenda) within three (3) business days of full execution of the purchase and sale contract, and said contract shall state that it and the proposed purchaser are subject to the approval of the Lessor. Lessor shall have fifteen (15) business days to review the terms of the purchase and sale contract. In the event Lessor fails to provide Sublessee with written approval or any written objections within fifteen (15) business days from receipt of the contract, Lessor shall be deemed to have given the necessary approval of the proposed form and substance of the contract. Sublessee and the potential buyer shall also provide any other information Lessor reasonably deems necessary to verify purchaser/Sublessee qualifications. All purchase and sale contracts shall be deemed to be contingent on buyer and transaction qualifications under the Affordable Restrictions. Lessor and the proposed parties to a transfer transaction may agree to additional time periods necessary to verify full compliance with all aspects of the Affordable Restrictions. In no case shall Lessor, or its designees, be deemed to waive with respect to any party any requirement applicable to that party under the Affordable Restrictions where it turns out that such requirement was not in fact met, true or complied with, even in cases where a transaction might be customarily considered to have "closed." Lessor reserves, to itself and to its designees, all legal and equitable rights it deems necessary or appropriate to ensure that all portions of the Demised Premises are used for the public purposes for which they were intended.

- d. Lessor shall be deemed reasonable in withholding its approval for any proposed sale if the purchase terms and purchaser do not meet the requirements as set forth in the Affordable Restrictions. After the Lessor has reviewed and approved a contract, Sublessee shall not have the ability to amend the terms of the contract unless Sublessee obtains Lessor's approval. The Sublessee shall only transfer their leasehold interest to an approved income qualified person, as defined by the Affordable Restrictions for moderate or lesser income, or to Lessor in the event Lessor and Sublessee are unable to find an income qualified purchaser, and so long as Lessor chooses to purchase the Affordable Housing Unit, in Lessor's sole and absolute discretion. Additionally, after the expiration of the forty-five (45) day period described in Paragraph b above, and before Sublessee has found an income qualified purchaser, Lessor may, but is not obligated to, continue the search for an income qualified purchaser. In the event Lessor finds and identifies an income qualified purchaser prior to Sublessee doing so, the procedure set forth in Paragraph 2 shall be followed.
- e. Lessor hereby agrees that the procedures set forth in Paragraph b. above for "resales" shall also be adopted as required and used in the event the unit is used as a rental.

Section 12.06 Assignment by Lessor. This Lease is freely assignable by the Lessor, and upon such assignment, the Lessor's liability shall cease and Lessor shall be released

from any further liability. In the event the ownership of the land comprising the Leased Premises is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected.

Section 12.07 Death of a Unit Owner. In the event a unit owner dies, Lessor shall, unless for good cause shown, consent to a transfer of the leasehold interest to the spouse or child(ren) of the unit owner provided that such heirs state, in writing, that they have reviewed the terms of this Lease, and that they understand and accept the terms of this Lease by signing an acknowledgement, which is substantially in a form similar to that attached hereto as Exhibit _____. All heirs, devisees or legatees must demonstrate to the Lessor's reasonable satisfaction that they qualify for affordable housing as provided in the Affordable Restrictions. All estates and leasehold or other interests granted in or conveyed with respect to any of the Demised Premises do not extend to any degree so as to limit or inhibit the intent and operation of this Lease and the Affordable Restrictions, it being expressly and irrevocably accepted on behalf of all future Sublessees and all those who would or might succeed to their interests, that these Demised Premises and each and every portion thereof, for the entire Term of this Lease, are to be used as affordable housing according to the Affordable Restrictions. In the event the heirs of the decedent do not meet the requirements for affordable housing, such heirs shall not occupy the premises and shall not be entitled to possession, except and only to the extent that the Lessor permits same, under conditions that it determines furthers the goals and public purposes of this Lease and the Affordable Restrictions. Therefore, in such event, the heirs of the decedent shall transfer their interest in the unit in accordance with the provisions of this Article XII and cooperate with the Lessor in seeing that this is accomplished.

Section 12.08 Administrative Fees. The Lessor or its designee shall be entitled to charge three and one-half percent (3 1/2%) of the Purchase Price of the allowed and agreed purchase price for any transferred interest (other than simple security mortgage interests, which may be subject to other reasonable processing fees), as an administrative fee for coordinating the closing on any unit or Sublease, said fee to be paid by the selling unit owner at the time of closing. This fee does not include other seller and buyer closing related costs such as title insurance, documentary stamps, intangible taxes, prorated taxes, insurance, homeowners' assessments, loan expenses and the like. The Lessor or its designee shall be authorized to designate closing, escrow and title agents involved in all transactions subject to this Lease. Lessor or its designee may, from time to time, establish, promulgate and revise fees related to the administration of this Lease and any Subleases.

ARTICLE XIII

Condemnation

Section 13.01 Eminent Domain; Cancellation. If, at any time during the continuance of this Lease, the Demised Premises or any portion thereof is taken or appropriated or condemned by reason of eminent domain, there shall be such division of the proceeds and awards in such condemnation proceedings and such abatement of the rent and other

adjustments made as shall be just and equitable under the circumstances. If the Lessor and the Lessee are unable to agree upon what division, annual abatement of rent or other adjustments as are just and equitable, within thirty (30) days after such award has been made, then the matters in dispute shall be determined in accordance with the rules of the American Arbitration Association. Such determination made by the arbitration shall be binding on the parties. If the legal title to the entire Demised Premises be wholly taken by condemnation, the Lease shall be cancelled.

Section 13.02 Apportionment. Although the title to the building and improvements placed by the Lessee upon the Demised Premises will pass to the Lessor, nevertheless, for purpose of condemnation, the fact that the Lessee placed such buildings on the Demised Premises shall be taken into account, and the deprivation of the Lessee's use (and any use of a Sublessee) of such buildings and improvements shall, together with the term of the Lease remaining, be an item of damage in determining the portion of the condemnation award to which the Lessee or Sublessee is entitled. In general, it is the intent of this Section that, upon condemnation, the parties hereto shall share in their awards to the extent that their interests, respectively, are depreciated, damaged, or destroyed by the exercise of the right of eminent domain. In this connection, if the condemnation is total, the parties agree that the condemnation award shall be allocated so that the then value of the property, as though it were unimproved property, shall be allocated to the Lessor, and the then value of the building or buildings thereon shall be allocated between the Lessor and Lessee after giving due consideration to the number of years remaining in the term of this Lease and the condition of the buildings at the time of condemnation.

ARTICLE XIV

Construction

Section 14.01 Requirement to Construct Project.

(a) Initial Lessee shall commence construction of the Project no later than ninety (90) days after the affordable unit allocations are tendered to Initial Lessee necessary for the construction of the Project, and shall substantially complete construction of all forty (40) units within twelve (12) months thereafter. The foregoing limitation of time for the completion of the Project may be extended by written agreement between the parties hereto.

(b) During the course of construction of the Project, Initial Lessee shall provide to the Lessor quarterly written status reports on the Project, and such other reports as may reasonably be requested by Lessor.

(c) The Project shall be constructed in accordance with the requirements of all laws, ordinances, codes, orders, rules and regulations of all governmental entities having jurisdiction over the Project, including, but not limited to, the Lessor.

(d) The Initial Lessee shall apply for and prosecute, with reasonable diligence, all necessary approvals, permits and licenses required by applicable Governmental Authorities for the construction, development, zoning, use and occupation of the Project. Lessor agrees to cooperate with and publicly support the Initial Lessee's effort to obtain such approvals, permits and licenses, provided that such approvals, permits and licenses shall be obtained at Initial Lessee's sole cost and expense. Nothing in this Lease is intended to or shall be construed to obviate or lessen any requirements for customary development approvals from any permitting authority, including the Lessor. Nothing in this Lease shall be construed as the Lessor's delegation or abdication of its zoning authority or powers and no zoning approval that Initial Lessee may require to complete its performance under this Lease has been or shall be deemed agreed to by this Lease.

(e) Construction of the Project on the Demised Premises during the Term of this Lease shall be performed in a good and workmanlike manner, pursuant to written contracts with licensed contractors and in accordance with any and all requirements of local ordinances and with all rules, regulations and requirements of all departments, boards, officials and authorities having jurisdiction thereof. It is understood and agreed that the plans and specifications for all construction shall be prepared by duly qualified architects/engineers licensed in the State of Florida.

14.02 Access to the Project and Inspection. The Lessor or its duly appointed agents shall have the right, at all reasonable times upon the furnishing of reasonable notice under the circumstances (except in an emergency, when no notice shall be necessary), to enter upon the Leased Premises to examine and inspect the Project. The Initial Lessee hereby covenants to execute, acknowledge and deliver all such further documents and do all such other acts and things necessary to grant to the Lessor such right of entry. This right of access and inspection shall survive completion of the Project and shall be broadly construed to permit Lessor, or its designees, rights of access and inspection to any portion of the Demised Premises to the extent that such access and inspection are reasonably justified to protect and further the Lessor's continuing interest in the Demised Premises, as determined in Lessor's reasonable discretion. Lessor's designees, for purposes of this Article 14.02, shall include city, county or State code or building inspectors, and the like, without limitation.

14.03 Forced Delay in Performance. Notwithstanding any other provisions of this Lease to the contrary, the Initial Lessee shall not be deemed to be in default under this Lease where delay in the construction or performance of the obligations imposed by this Lease are caused by war, revolution, labor strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, labor disputes, governmental restrictions, embargoes, litigation (excluding litigation between the Lessor and the Initial Lessee), tornadoes, severe tropical or other severe weather events, inability to obtain or secure necessary labor, materials or tools, delays of any contractor, subcontractor, or supplier, acts or failures to act by the Lessor, or any other causes beyond the reasonable control of the Initial Lessee. The time of performance hereunder shall be extended for the period of any forced delay or delays caused or resulting from any of the foregoing causes.

ARTICLE XV

Mortgage Financing

Section 15.01 Construction Financing By Initial Lessee. Initial Lessee shall have the right to mortgage its interests in the Demised Premises.

(a) The Initial Lessee shall have the right to encumber by mortgage or other proper instrument, Initial Lessee's interest under this Lease, together with all buildings and improvements placed by Initial Lessee on the Demised Premises, to a Federal or State Savings & Loan Association, Bank or Trust Company, Insurance Company, Pension Fund or Trust (or to a private lender so long as the terms and conditions of the financing from private lender are on substantially similar terms to those then existing by the other lenders referred to in this section), or similar lending institution authorized to make leasehold mortgage loans in the State of Florida, subject to the requirements that any conveyance, mortgage, note, lease, assignment, grant or other disposition or encumbrance of any interest made with respect to any portion of the Demised Premises shall contain the following required Notice of Restrictions in a conspicuous location on the upper one-half of the first page of the relevant instrument relating to the interest, in bold and capital typed letters greater than or equal to 14 point font:

NOTICE OF RESTRICTIONS

ANY INSTRUMENT OF CONVEYANCE, MORTGAGE, NOTE, LEASE, ASSIGNMENT, GRANT OR OTHER DISPOSITION OR ENCUMBRANCE OF ANY INTEREST OF ANY PORTION OF THE DEMISED PREMISES WILL BE SUBJECT TO CERTAIN RESTRICTIONS INCLUDING BUT NOT LIMITED TO RIGHTS OF FIRST REFUSAL, USE, OCCUPANCY, INCOME, MEANS, RESALE PRICE, RENTAL AND MORTGAGE LIMITATIONS, INCLUDING BUT NOT LIMITED TO THOSE SET FORTH IN OFFICIAL RECORDS BOOK __, PAGE __ OF THE PUBLIC RECORDS OF MONROE COUNTY, FLORIDA.

The recorded book and page of this Lease and any other relevant previously recorded restrictions (e.g., homeowners' association governing documents or master unsatisfied/unreleased mortgages) affecting the respective portion of the Demised Premises shall be included in the Notice of Restrictions; and,

(b) Initial Lessee shall present a full copy of any proposed mortgage(s) or other instrument(s) (and any addenda) to and obtain written approval from Lessor, which approval shall not be unreasonably withheld.

(c) Until the time the leasehold mortgage(s) shall be satisfied of record, when giving notice to the Initial Lessee with respect to any default under the provisions of this Lease, the Lessor shall also serve a copy of such notice upon the Initial Lessee's

leasehold mortgagee(s) who have previously provided written notice to Lessor of their contact address information for such notice purposes, including any changes thereto. No such notice to the Initial Lessee shall be deemed to have been given unless a copy of such notice has been mailed to such leasehold mortgagee(s), which notice must specify the nature of each such default.

(d) In case the Initial Lessee shall default under any of the provisions of this Lease, the Initial Lessee's leasehold mortgagee shall have the right to cure such default whether the same consists of the failure to pay rent or the failure to perform any other matter or thing which the Initial Lessee is required to do or perform and the Lessor shall accept such performance on the part of the leasehold mortgagee as though the same had been done or performed by the Initial Lessee. The leasehold mortgagee, upon the date of mailing by Lessor of the notice referred to in subparagraph (c) of this Section 15.01 shall have, in addition to any period of grace extended to the Initial Lessee under the terms and conditions of this Lease for a non-monetary default, a period of sixty (60) days within which to cure any non-monetary default or cause the same to be cured or to commence to cure such default with diligence and continuity; provided, however, that as to any default of the Initial Lessee for failure to pay rent, or failure to pay any amount otherwise required under the terms of this Lease (e.g., including, but not limited to, taxes or assessments), the leasehold mortgagee shall have thirty (30) days from the date the notice of default was mailed to the mortgagee within which to cure such default.

(e) In the event of the termination of this Lease with Initial Lessee for defaults described in this Article XV, or of any succeeding Lease made pursuant to the provisions of this Section 15.01(e) prior to the cure provisions set forth in this Section 15.01(d) above, the Lessor will enter into a new Lease of the Demised Premises with the Initial Lessee's leasehold mortgagee, or, at the request of such leasehold mortgagee, to a corporation formed by or on behalf of such leasehold mortgagee or by or on behalf of the holder of the note secured by the leasehold mortgage held by such leasehold mortgagee, for the remainder of the term, effective on the date of such termination, at the rent and upon the covenants, agreements, terms, provisions and limitations contained in this Lease, provided that such leasehold mortgagee makes written request and executes, acknowledges and delivers to the Lessor such new Lease within thirty (30) days from the date of such termination and such written request and such new Lease is accompanied by payment to the Lessor of all amounts then due to the Lessor, including reasonable counsel fees, court costs and disbursements incurred by the Lessor in connection with any such default and termination as well as in connection with the execution, delivery and recordation of such new Lease, less the net income collected by the Lessor subsequent to the date of termination of this Lease and prior to the execution and delivery of the new Lease, any excess of such net income over the aforesaid sums and expenses to be applied in payment of the rent thereafter becoming due under such new Lease. Any new Lease referred to in this Section 15.01(e) shall not require any execution, acknowledgement or delivery by the Lessor in order to become effective as against the Lessor and the Lessor shall be deemed to have executed, acknowledged and delivered any such new Lease immediately upon receipt by the Lessor; and such new Lease shall be accompanied by (i) payment to the Lessor all amounts then due to the Lessor of which the leasehold mortgagee shall theretofore have received

written notice; and (ii) an agreement by the leasehold mortgagee to pay all other amounts then due to the Lessor of which the leasehold mortgagee shall not theretofore have received written notice. In addition, immediately upon receipt by the Lessor such new Lease, as provided in this Section 15.01(e), the Lessor shall be deemed to have executed, acknowledged and delivered to the leasehold mortgagee an assignment of all Subleases covering the Demised Premises which theretofore may have been assigned and transferred to the Lessor and all Subleases under which Sublessees shall be required to attorn to the Lessor pursuant to the terms and conditions of such Subleases or this Lease. Such assignment by the Lessor shall be deemed to be without recourse as against the Lessor. Within ten (10) days after a written request therefore by the leasehold mortgagee, such assignment or assignments shall be reduced to a writing in recordable form and executed, acknowledged and delivered by the Lessor to the leasehold mortgagee.

(f) The Initial Lessee's leasehold mortgagee may become the legal owner and holder of this Lease by foreclosure of its mortgage or as a result of the assignment of this Lease in lieu of foreclosure, which shall not require Lessor's consent, whereupon such leasehold mortgagee shall immediately become and remain liable under this Lease as provided in Section 15.01(g) below.

(g) In the event that a leasehold mortgagee, or any other party acquiring an interest shall become the owner or holder of the Lessee's interest by foreclosure of its mortgage or by assignment of this Lease in lieu of foreclosure or otherwise, the term "Initial Lessee," as used in this Lease, means only the owner or holder of the Lessee's interest for the time period that such leasehold mortgagee is the owner or holder of the Lessee's interest, which period shall not exceed 120 days without express written agreement by the Lessor, which extension agreement may be withheld for any reason. Accordingly, in the event of a sale, assignment or other disposition of the Initial Lessee's interest in this Lease by the leasehold mortgagee, where leasehold mortgagee took title or ownership of or to any or all of the Initial Lessee's interest in the Lease and/or any portion of the Demised Premises as a result of foreclosure or acceptance of an assignment in lieu thereof, the leasehold mortgagee shall be entirely freed and relieved of all covenants and obligations of performance relating to construction, marketing and transfer to Sublessees during the 120 day period during which it has a right to find a substitute Initial Lessee under this Lease and it shall be deemed and construed, without further agreement between the Lessor and the mortgagee, or between the Lessor, the mortgagee and the mortgagee's purchaser or assignee at any such sale or upon assignment of Initial Lessee's interest by the leasehold mortgagee, that the purchaser or assignee of Initial Lessee's interest has assumed and agreed to carry out any and all covenants and obligations of Initial Lessee, including but not limited to the construction of the affordable housing units contemplated herein. In no event shall any protections afforded a leasehold mortgagee under this Lease be construed to permit eventual use of the Demised Premises for purposes inconsistent with the Affordable Restrictions.

(h) Within ten (10) days after written request by Initial Lessee or by Initial Lessee's leasehold mortgagee, or in the event that upon any sale, assignment or mortgaging of Initial Lessee's interest in this Lease by Initial Lessee or Initial Lessee's leasehold

mortgagee, an offset statement shall be required from the Lessor, the Lessor agrees to deliver in recordable form a certificate to any proposed leasehold mortgagee, purchaser, assignee or to Initial Lessee, certifying (if such be the case) (i) that this Lease is in full force and effect; (ii) that the Lessor has no knowledge of any default under this Lease, or if any default exists, specifying the nature of the default; and (iii) that there are no defenses or offsets which are known and may be asserted by the Lessor against the Lessee in respect of obligations pursuant to this Lease.

(i) So long as the Initial Lessee's interest in this Lease shall be mortgaged to a leasehold mortgagee, the parties agree for the benefit of such leasehold mortgagee, that they shall not surrender or accept a surrender of this Lease or any part of it, nor shall they cancel, abridge or otherwise modify this Lease or accept material prepayments of installments of Rent to become due without the prior written consent of such mortgagee in each instance.

(j) Reference in this Lease to acquisition of the Initial Lessee's interests in this Lease by the leasehold mortgagee shall be deemed to refer, where circumstances require, to acquisition of the Initial Lessee's interest in this Lease by any purchaser at a sale on foreclosure of the leasehold mortgage and provisions applicable to the leasehold mortgage in such instance or instances shall also be applicable to any such purchaser.

(k) So long as the Initial Lessee's interest in this Lease shall be mortgaged to a leasehold mortgagee, the parties agree for the benefit of such leasehold mortgagee that the Lessor shall not sell, grant or convey to the Initial Lessee all or any portion of the Lessor's fee simple title to the Demised Premises without the prior written consent of such leasehold mortgagee. In the event of any such sale, grant or conveyance by the Lessor to the Initial Lessee, the Lessor and the Lessee agree that no such sale, grant or conveyance shall create a merger of this Lease into a fee simple title to the Demised Premises. This subparagraph (k) shall not be construed to prevent a sale, grant or conveyance of the Lessor's fee simple title by the Lessor to any person, firm or corporation other than the Initial Lessee, its successors, legal representatives and assigns, so long as this Lease is not terminated.

(l) Reference in this Lease to the Initial Lessee's leasehold mortgagee shall be deemed to refer where circumstances require to leasehold mortgagee's assignee(s); provided that such assignee(s) shall record a proper assignment instrument in the Public Records of Monroe County, Florida, and shall forward to the Lessor a certified true copy of same, together with a written notice setting forth the name and address of the assignee.

(m) In conjunction and contemporaneously with the sale or transfer of each affordable unit, leasehold mortgagee shall make arrangement to ensure the release of any and all applicable portions of its mortgage on the entire Demised Premises so as to grant clear title to the Sublessee. The details and release payment requirements shall remain within the reasonable business discretion of the initial Lessee and the leasehold mortgagee.

Section 15.02 Permitted Mortgages for Sublessees (Unit Owners). The individual unit owners ("Sublessees") shall have the right to encumber by mortgage their interest in the Sublease or any associated portions of the Demised Premises for and related interests in the individual units to a Federal or State Savings Loan Association, Bank, Trust Company or similar lending institution, subject to the following requirements:

(a) The mortgage(s) encumbering the Affordable Housing Unit shall not exceed 95% of the maximum allowable sale price of the Affordable Housing Unit as set forth in the Affordable Restrictions;

(b) Sublessees shall not be entitled to mortgage the leasehold interest in the event the terms of the note, which is secured by the mortgage, may result in negative amortization; and

(c) Except for those certain alternative methods allowed with respect to mortgage and note instruments in favor of institutional lenders as set forth below, any instrument of conveyance, mortgage, note, lease, assignment, grant or other disposition or encumbrance of any interest with respect to any portion of the Demised Premises, shall contain the following required Notice of Restrictions in a conspicuous location on the upper one-half of the first page of any such instrument, in bold and typed capital letters greater than or equal to 14 point font:

NOTICE OF RESTRICTIONS

ANY INSTRUMENT OF CONVEYANCE, MORTGAGE, NOTE, LEASE, ASSIGNMENT, GRANT OR OTHER DISPOSITION OR ENCUMBRANCE OF ANY INTEREST OF ANY PORTION OF THE DEMISED PREMISES WILL BE SUBJECT TO CERTAIN RESTRICTIONS INCLUDING BUT NOT LIMITED TO RIGHTS OF FIRST REFUSAL, USE, OCCUPANCY, INCOME, MEANS, RESALE PRICE, RENTAL AND MORTGAGE LIMITATIONS, INCLUDING BUT NOT LIMITED TO THOSE SET FORTH IN OFFICIAL RECORDS BOOK __, PAGE __ OF THE PUBLIC RECORDS OF MONROE COUNTY, FLORIDA.

An institutional lender financing a Sublessee's purchase or lease of an affordable unit may, alternatively, with respect to its mortgage, note and/or rider instruments only, provide the required "Notice of Restrictions" by recording an instrument contemporaneously with the recording of its mortgage (but which may be separate and apart from the mortgage instrument), in a form otherwise providing the notice required in this section as long as that separate recorded instrument references the property, borrower, lender and financing transaction (e.g. loan number) involved. Any instrument of conveyance, mortgage, note, encumbrance, lease, assignment or other disposition made without following the procedures set forth herein shall be void and confer no rights upon any third person, though such instruments may, in some cases, be validated by fully correcting them according to procedures established by Lessor, as determined in Lessor's sole reasonable discretion so as to

ensure compliance with the public affordability purposes furthered by this Lease and the Affordable Restrictions. Lessor's corrective procedures shall ensure compliance with the public affordability purposes furthered by this Lease and the Affordable Restrictions; and, shall, as a minimum, permit the correction of an institutional lender's mortgage instruments to the full extent necessary to protect the Lender's financial interest in any portion of the Demised Premises to the extent that such financial interest does not exceed the allowable resale or rental value of such encumbered portion under the Affordable Restrictions.

(d) Sublessee shall present any proposed mortgage or other instrument to and obtain written approval by Lessor, which approval shall not be unreasonably withheld.

(e) In the event of foreclosure sale by a Sublessee's mortgagee or the delivery of an assignment or other conveyance to a Sublessee's mortgagee in lieu of foreclosure with respect to any real property subject to the provisions of this Lease, said mortgagee, or the purchaser at foreclosure, shall comply with the provisions of Article XII. No sale of any affordable unit shall be permitted at an amount in excess of that allowed under the Affordable Restrictions.

(f) The parties recognize that it would be contrary to the fundamental affordable housing concept of this Lease and an incentive to abuse Sublessee's authorization to encumber its leasehold interest with a mortgage if Sublessee could realize more in loan or sale proceeds than their permitted purchase or resale price as a result of any transaction. Accordingly, Sublessee hereby irrevocably assigns to Lessor (or the Monroe County Housing Authority or other Lessor designee) any and all net proceeds from the sale of any interest in the Demised Premises remaining after payment of costs of foreclosure and satisfaction of the lien of any mortgage which would have otherwise been payable to Sublessee, to the extent such net proceeds exceed the net proceeds that Sublessee would have received had the interests been sold pursuant to the Affordable Restrictions. Sublessee hereby authorizes and instructs the mortgagee or any party conducting the closing of a sale or transfer to pay the amount of said excess directly to Lessor. In the event, for any reason, such excess proceeds are paid to Sublessee, Sublessee hereby agrees to promptly pay the amount of such excess to Lessor.

ARTICLE XVI

Default

Section 16.01 Notice of Default. Lessee shall not be deemed to be in default under this Lease in the payment of rent or the payment of any other monies as herein required

unless Lessor shall first give to Lessee ten (10) days written notice of such default and Lessee fails to cure such default within such ten (10) days of receipt of said notice.

Except as to the provisions or events referred to in the preceding paragraph of this section, Lessee shall not be deemed to be in default under this Lease unless Lessor shall first give to Lessee thirty (30) days written notice of such default, and Lessee fails to cure such default within such thirty (30) day period or, if the default is of such a nature that it cannot be cured within thirty (30) days, Lessee fails to commence to cure such default within such period of thirty (30) days or fails thereafter to proceed to the curing of such default with all possible diligence.

Regardless of the notice and cure periods provided herein, in the event that more rapid action is required to preserve any right or interest of the Lessor in the Demised Premises or other detrimental occurrence (such as, but not limited to, payment of insurance premiums, actions to prevent construction or judgment lien foreclosures or tax sales), then the Lessor is empowered to take such action and to request reimbursement or restoration from the Lessee as appropriate.

Section 16.02 Default. In the event of any breach of this Lease by Lessee, Lessor, and after the necessary notice provided to Initial Lessee's leasehold mortgagee, in addition to the other rights or remedies it may have, shall have the immediate right to terminate this Lease according to law. Furthermore, in the event of any breach of this Lease by Lessee, Lessor, in addition to the other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the Demised Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee.

Included in this right of reentry shall be any instance wherein a Sublessee renounces the Lease or a Sublease or abandons the Demised Premises, in which case Lessor may, at its option, in an appropriate case, obtain possession of the abandoned property in any manner allowed or provided by law, and may, at his option, re-let the repossessed property for the whole or any part of the then unexpired term, receive and collect all rent payable by virtue of such reletting, and hold Sublessee liable for any difference between the rent that would have been payable under this Lease and the net rent for such period realized by Lessor, by means of such reletting. However, such Lessor rights shall not abrogate a mortgagee's rights to the extent those rights do not conflict with or injure Lessor's interests as established under this Lease. Personal property left on the premises by a Sublessee may be stored, sold, or disposed of by Lessor, and Lessor accepts no responsibility other than that imposed by law. Any Sublease shall contain the following warning prominently set forth in writing:

BY SIGNING THIS RENTAL AGREEMENT THE TENANT AGREES THAT UPON SURRENDER OR ABANDONMENT, AS DEFINED BY CHAPTER 83 FLORIDA STATUTES, THE LESSOR SHALL NOT BE LIABLE OR RESPONSIBLE FOR STORAGE OR DISPOSITION OF THE LESSEE'S PERSONAL PROPERTY.

Should Lessor elect to re-enter, as herein provided, or should Lessor take possession pursuant to legal proceedings or pursuant to any notice provided for by law, Lessor may either terminate this Lease or it may from time to time, without terminating this Lease, re-let the Demised Premises or any part thereof for such term or terms (which may be for a term extending beyond the Term of this Lease) and at such rent or rents and on such other terms and conditions as Lessor in its sole reasonable discretion may deem advisable with the right to make alterations and repairs to the Demised Premises. On each such re-letting:

(a) Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than Rent due under this Lease, the expenses of such re-letting and of such alterations and repairs, incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease for the period of such re-letting (up to but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the Demised Premises for such period of such re-letting.

Notwithstanding any such re-letting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach. Should Lessor at any time terminate this Lease for any breach, in addition to any other remedy it may have, Lessor may recover from Lessee all damages incurred by reason of such breach, including the cost of recovering the Demised Premises, which amounts shall be immediately due and payable from Lessee to Lessor.

Section 16.03 Lessor's Right to Perform. In the event that Lessee, by failing or neglecting to do or perform any act or thing herein provided by it to be done or performed, shall be in default under this Lease and such failure shall continue for a period of thirty (30) days after receipt of written notice from Lessor specifying the nature of the act or thing to be done or performed, then Lessor may, but shall not be required to, do or perform or cause to be done or performed such act or thing (entering on the Demised Premises for such purposes, with notice, if Lessor shall so elect), and Lessor shall not be or be held liable or in any way responsible for any loss, inconvenience or annoyance resulting to Lessee on account thereof, and Lessee shall repay to Lessor on demand the entire expense thereof, including compensation to the agents and employees of Lessor. Any act or thing done by Lessor pursuant to the provisions of this section shall not be construed as a waiver of any such default by Lessee, or as a waiver of any covenant, term or condition herein contained or the performance thereof, or of any other right or remedy of Lessor, hereunder or otherwise. All amounts payable by Lessee to Lessor under any of the provisions of this Lease, if not paid when the amounts become due as provided in this Lease, shall bear interest from the date they become due until paid at the highest rate allowed by law.

Section 16.04 Default Period. All default and grace periods shall be deemed to run concurrently and not consecutively.

Section 16.05. Affordable Restrictions. **In the event any portion of the**

Demised Premises is used for purposes other than affordable housing, or Lessee or any Sublessees fail to comply with the Affordable Restrictions, such an occurrence will be considered a material default. In the foregoing event, Lessor (or the Initial Lessee in the event of and with respect only to a default by a particular Sublessee) may immediately terminate the Lease or Sublease. Lessee hereby agrees that all occupants shall use the Leased Premises and Improvements for affordable residential purposes only and any incidental activities related to the residential use that are permitted by applicable zoning law.

ARTICLE XVII

Repair Obligations

During the continuance of this Lease the Lessee, and every Sublessee with respect to their leased or purchased portions of the Demised Premises, shall keep in good state of repair any and all buildings, furnishings, fixtures, landscaping and equipment which are brought or constructed or placed upon the Demised Premises by the Lessee, and the Lessee shall not suffer or permit any strip, waste, or neglect of any building or other property to be committed, except for that of normal wear and tear. The Lessee will repair, replace and renovate such property as often as it may be necessary in order to keep the buildings and other property which is the subject matter of this Lease in first class repair and condition. Additionally, Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning or water or to make any repairs to the premises or Affordable Housing Units.

ARTICLE XVIII

Additional Covenants of Lessee, Lessor

Section 18.01 Legal Use. The Lessee covenants and agrees with the Lessor that the Demised Premises will be used primarily for the construction and operation of a multi-unit affordable housing complex and the other matters as may be set forth in this Lease, with related amenities and facilities, and for no other purposes whatsoever without Lessor's written consent.

Section 18.02 Termination. At the termination of this Lease the Lessee will peaceably and quietly deliver possession of the Demised Premises, unless the Lease is extended as provided herein. Therefore, Lessee shall surrender the improvements together with the leased premises. Ownership of some or all improvements shall thereupon revert to Lessor, at its option as to which improvements Lessor might like to require, provided, however, that for any such improvements, Lessor shall promptly pay the individual unit owners, as consideration for the improvements, an amount not to exceed the allowed purchase price according to the Affordable Restrictions.

Section 18.03 Recovery of Litigation Expense. In the event of any suit, action or proceeding, at law or in equity, by either of the parties hereto against the other, or any other person having, claiming or possessing any alleged interest in the Demised Premises, by reason of any matter or thing arising out of or relating to this Lease, including any eviction proceeding, the prevailing party shall recover not only its legal costs, but reasonable attorneys' fees including appellate, bankruptcy and post-judgment collection proceedings for the maintenance or defense of said action or suit, as the case may be. Any judgment rendered in connection with any litigation arising out of this Lease shall bear interest at the highest rate allowed by law. Lessor may recover reasonable legal and professional fees attributable to administration, enforcement and preparation for litigation relating to this Lease or to the Affordable Restrictions from any person or persons from or to whom a demand or enforcement request is made, regardless of actual initiation of an action or proceeding.

Section 18.04 Condition of the Demised Premises. Lessee agrees to accept the Demised Premises in its presently existing condition "as-is". It is understood and agreed that the Lessee has determined that the Demised Premises are acceptable for its purposes and hereby certifies same to Lessor. Lessee, at its sole cost and expense, shall bring or cause to be brought to the Demised Premises adequate connections for water, electrical power, telephone, stormwater and sewage and shall arrange with the appropriate utility companies for furnishing such services with no obligation therefore on the part of Lessor. The Lessor makes no express warranties and disclaims all implied warranties. Lessee accepts the property in the condition in which it currently is without representation or warranty, express or implied, in fact or by law, by the Lessor, and without recourse to the Lessor as to the nature, condition or usability of the Demised Premises, or the uses to which the Demised Premises may be put. The Lessor shall not be responsible for any latent defect or change of condition in the improvements and personalty, or if title, and the Rent hereunder shall not be withheld or diminished on account of any defect in such title or property, any change in the condition thereof, any damage occurring thereto, or the existence with respect thereto of any violations of the laws or regulations of any governmental authority.

Section 18.05 Hazardous Materials. Lessee, its Sublessees and assignees shall not permit the presence, handling, storage or transportation of hazardous or toxic materials or medical waste ("hazardous waste") in or about the Demised Premises, except in strict compliance with all laws, ordinances, rules, regulations, orders and guidelines of any government agency having jurisdiction and the applicable board of insurance underwriters. In no event shall hazardous waste be disposed of in or about the Demised Premises. For purposes herein, the term hazardous materials or substances shall mean any hazardous, toxic or radioactive substance material, matter or waste which is or becomes regulated by any federal, state or local law, ordinance, order, rule, regulation, code or any other governmental restriction or requirement and shall include petroleum products and asbestos as well as those materials defined as hazardous substance or hazardous waste in the Comprehensive Environmental Response Compensation and Liability Act and/or the Resource Conservation and Recovery Act.

Lessee shall notify Lessor immediately of any discharge or discovery of any hazardous waste at, upon, under or within the Demised Premises. Lessee shall, at its sole cost and expense, comply with all remedial measures required by any governmental agency having jurisdiction.

Lessor hereby warrants and represents that to its knowledge, the Demised Premises is free of any hazardous waste.

ARTICLE XIX

Representations, Warranties of Title and Quiet Enjoyment

Lessor and Lessee represent and warrant that to their knowledge, there are no material claims, causes of action or other proceedings pending or threatened in respect to the ownership, operation or environmental condition of the Demised Premises or any part thereof. Additionally, the Lessor and Lessee covenant and agree that so long as the Lessee keeps and performs all of the covenants and conditions required by the Lessee to be kept and performed, the Lessee shall have quiet and undisturbed and continued possession of the Demised Premises from claims by Lessor.

ARTICLE XX

Miscellaneous

Section 20.01 Covenants Running with Land. All covenants, promises, conditions and obligations herein contained or implied by law are covenants running with the land and shall attach and bind and inure to the benefit of the Lessor and Lessee and their respective heirs, legal representatives, successors and assigns, except as otherwise provided herein, but this provision shall in no way alter the restrictions on assignment and subletting applicable to Lessee hereunder.

Section 20.02 No Waiver. Time is of the essence in the performance of the obligations of the parties hereto. No waiver of a breach of any of the covenants in this Lease shall be construed to be a waiver of any succeeding breach of the same covenant.

Section 20.03 Written Modifications. No modification, release, discharge or waiver of any provisions hereof shall be of any force, effect or value unless in writing signed by the Lessor and Lessee, or their duly authorized agents or attorneys.

Section 20.04 Entire Agreement. This Lease, including the Preamble and any written addenda and all exhibits hereto (all of which are expressly incorporated herein by this reference) shall constitute the entire agreement between the parties as of this date. No prior written or prior or contemporaneous oral promises or representations shall be binding. The execution hereof has not been induced by either party by representations, promises or understandings not expressed herein and there are no collateral agreements,

stipulations, promises or undertakings whatsoever upon the respective parties in any way touching the subject matter of this instrument which are not expressly contained in this instrument. **[BUT SEE PURCHASE AND SALE AGREEMENT]**

Section 20.05 Notices. If either party desires to give notice to the other in connection with and according to the terms of this Lease, such notice shall be given by certified mail return receipt requested and it shall be deemed given when deposited in the United States mails with postage prepaid. Nothing herein contained shall be construed as prohibiting the parties respectively from changing the place at which notice is to be given, or the addition of one additional person or location for notices to be given, but no such change shall be effective unless and until it shall have been accomplished by written notice given in the manner set forth in this Section.

Section 20.06 Joint Liability. If the parties upon either side (Lessor and Lessee) consist of more than one person, such persons shall be jointly and severally liable on the covenants of this Lease.

Section 20.07 Liability Continued, Lessor Liability. All references to the Lessor and Lessee mean the persons who, from time to time, occupy the positions, respectively, of Lessor and Lessee. In the event of an assignment of this Lease by the Lessor, except for liabilities that may have been incurred prior to the date of the assignment, the Lessor's liability under this Lease shall terminate upon such assignment. In addition, the Lessor's liability under this Lease shall be at all times limited to the Lessor's interest in the Demised Premises.

Section 20.08 Captions. The captions used in this Lease are for convenience of reference only and in no way define, limit or describe the scope or intent of or in any way affect this Lease.

Section 20.09 Table of Contents. The index preceding this Lease under the same cover is for the purpose of the convenience of reference only and is not to be deemed or construed in any way as part of this Lease, nor as supplemental thereto or amendatory thereof.

Section 20.10 Governing Law, Venue. This Agreement shall be construed under the laws of the State of Florida, and the venue for any legal proceeding to enforce or determine the terms and conditions of this Lease shall be Monroe County, Florida.

Section 20.11 Holding Over. Any holding over after the expiration of the term of this Lease, with consent of Lessor, shall be construed to be a tenancy from month to month, at twice the monthly rent as required to be paid by Lessee for the period immediately prior to the expiration of the term hereof, and shall otherwise be on the terms and conditions herein specified, so far as applicable.

Section 20.12 Brokers. Lessor and Lessee covenant, warrant and represent that no broker was instrumental in consummating this Lease, and that no conversations or

negotiations were had with any broker concerning the renting of the Demised Premises. Lessee and Lessor agree to hold one another harmless from and against, and agree to defend at its own expense, any and all claims for a brokerage commission by either of them with any brokers.

Section 20.13 Partial Invalidity. If any provision of this Lease or the application thereof to any person or circumstance shall at any time or to any extent be held invalid or unenforceable, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

Section 20.14 Force Majeure. If either party shall be delayed, hindered or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor trouble, inability to procure material, failure of power, riots, insurrection, severe tropical or other severe weather events, war or other reasons of like nature not the fault of the party delayed, in performing work or doing acts required under this Lease, the period for the performance of any such act shall be extended for a reasonable period.

Section 20.15 Landlord/Tenant Relationship, Third Party Beneficiaries. This Lease creates a landlord/tenant relationship, and no other relationship, between the parties. This Lease is for the sole benefit of the parties hereto and, except for assignments or Subleases permitted hereunder, no other person or entity shall be a third party beneficiary hereunder.

Section 20.16 Contingencies. This Lease Agreement is contingent upon Initial Lessee obtaining all necessary permits to build the affordable units described herein, as well as Initial Lessee obtaining adequate access for the unit owners to access their units at all times. Therefore, in the event Initial Lessee is unable to obtain permits or adequate access, Initial Lessee may terminate this Lease in its sole and absolute discretion. Initial Lessee hereby acknowledges that in the event Initial Lessee terminates this Agreement, Initial Lessee will not receive a reimbursement from Lessor for costs incurred by Initial Lessee prior to such termination.

Section 20.17 Radon Gas Notification. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may pose health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings. Additional information regarding radon and radon testing may be obtained from your county health unit. Lessor shall not be responsible for radon testing for any persons purchasing, leasing or occupying any portion of the Demised Premises, and all owners, Lessees and Sublessees shall hold Lessor harmless and indemnify Lessor for damages or claims related thereto.

Section 20.18 Mold Disclosure. Mold is a naturally occurring phenomenon that, when it has accumulated in a building in sufficient quantities, may pose health risks to persons who are exposed to it over time. Mold has been found in buildings in Monroe County. There are no measures that can guarantee against mold, but additional information regarding mold and mold prevention and health effects may be obtained from

your county health unit or the EPA or CDC. Lessee and Sublessees accept responsibility to inspect for mold and take measures to reduce mold.

IN WITNESS WHEREOF, the Lessor and the Lessee have hereunto set their hands and seals, the day and year above written.

Signed, Sealed and Delivered
in the presence of two witnesses:

LESSOR: MONROE COUNTY

Printed Name_____

By: _____
_____, _____

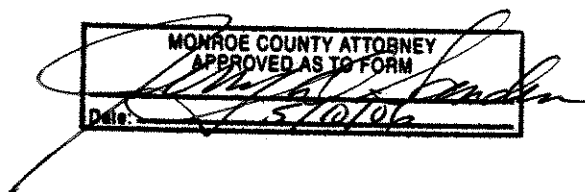
Printed Name_____
(as to Lessor)

LESSEE:

Printed Name_____

By: _____

Printed Name_____
(as to Lessee)


MONROE COUNTY ATTORNEY
APPROVED AS TO FORM
Date: 5/10/06

SCHEDULE "I"
COMMENCEMENT DATE AGREEMENT

This Agreement is made as of _____, 200_ by and between _____ ("Landlord") and _____ ("Tenant").

WHEREAS, Landlord and Tenant have entered into a Lease dated _____, 200_ for Premises designated on **Exhibit A** attached to the Lease;

WHEREAS, the Commencement Date, as defined in Article III of the Lease, has occurred; and pursuant to the Lease, Landlord and Tenant desire to confirm various dates relating to the Lease and the square footage of the Premises.

NOW THEREFORE, Landlord and Tenant agree and acknowledge that the information set forth below is true and accurate.

Commencement Date:

Initial Term Expiration Date:

The execution of this Agreement shall not constitute an exercise by Tenant of its option with respect to the Extended Term.

EXECUTED as a sealed instrument on the date first set forth above.

LANDLORD:

TENANT: .

By: _____
its

By: _____
its

EXHIBIT __

LETTER OF ACKNOWLEDGEMENT

TO: Initial Lessee, or its assigns
Address of Initial Lessee, or its assigns

DATE: _____

This letter is given to (.....Initial Lessee.....) as an acknowledgement in regard to the Affordable Housing Unit that I am purchasing. I hereby acknowledge the following:

- That I meet the requirements set forth in the Affordable Restrictions to purchase an affordable unit.
- That the Affordable Housing Unit that I am purchasing is subject to a ground lease by and between _____ and _____ (hereinafter "Lease") and therefore I will be subleasing a parcel of land.
- That my legal counsel, _____, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction.
- That I understand the terms of the Lease and how the terms and conditions set forth therein will affect my rights as an owner of the Affordable Housing Unit, now and in the future.
- That I agree to abide by the Affordable Restrictions, as defined in the Lease.
- That I understand and agree that one of the goals of the Lease is to keep the Affordable Housing Units affordable from one owner to the next, and I support this goal.
- That in the event I want to sell my Affordable Housing Unit, I must comply with the requirements set forth in the Lease, including but not limited to the price for which I can sell.
- That my lease prohibits me from severing the improvements from the real property.
- That my family and I must occupy the Affordable Housing Unit and that it cannot be rented to third parties.
- I understand that in the event that I die, my home may be devised and occupied by my wife, my children or any other heirs so long as they meet the requirements for affordable housing as set forth in the Lease.
- That I have reviewed the terms of the Lease and that I consider said terms fair and necessary to preserve affordable housing.
- I hereby warrant that I have not dealt with any broker other than _____ in connection with the consummation of the purchase of the Affordable Housing Unit.

**A COMPLETE SELF CONTAINED
APPRAISAL REPORT OF**

**A 49 PROPOSED CONDOMINIUM PROJECT
LOCATED AT
5300 MACDONALD AVENUE
STOCK ISLAND, FLORIDA 33040**

BY

GREATER CARIBBEAN APPRAISAL & CONSULTING, INC.

**1224 Flagler Avenue
Key West, Florida 33040**

EXECUTIVE SUMMARY

Subject Property:



Location:

5510 US #1
Stock Island, Florida 33040

Zoning:

URM, Urban Residential Mobile district by Monroe
County, Florida.

Site Size:

155,000 square feet.

"As Is" Date of Valuation:

June 8, 2005

Prospective Date of Valuation:

September 30, 2006

Value Indicators:

Sales Comparison Approach:

"As Is" Land Value \$ 9,065,000

"As Is" Value via Development Method: \$10,300,000

Final "As Is" Market Value: \$10,000,000

Cost Approach : \$36,000,000

Gross Aggregate Retail Sellout \$35,770,000

Development Method:

"Prospective" Wholesale Market value: \$26,200,000

Greater Caribbean Appraisal & Consulting, Inc.

June 14, 2005

Re: A proposed 49 unit condominium project to be located at: 5300 McDonald Avenue,
Stock Island, Florida 33040

Dear Mr. [REDACTED]

As requested we have prepared the attached complete self-contained appraisal report of the above referenced property. The purpose of the report is to estimate the "As Is" Market Value of the subject property, in fee simple title, as of June 8, 2005 as well as the "Prospective" Wholesale Market value of all of the units to a single purchaser upon completion of the project on September 1, 2006, as of June 8, 2005. The prospective aggregate retail market value of the 55 units will also be estimated.

Market Value may be defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

The subject property consists of approximately 155,000 square feet of URM (Urban Residential Mobile Home) zoned land located at 5300 MacDonald Avenue, Stock Island, Florida. The site has plans to construct 49 Townhouse style condominium units [REDACTED].

X
project is close to nearby restaurants and marinas that service the area.

June 14, 2005

Page Two

In my opinion, the "As Is" Market Value of the subject property, in fee simple title, as of June 8, 2005 is

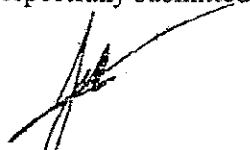
TEN MILLION DOLLARS
(\$10,000,000)

In my opinion, the "Prospective" Wholesale Market Value of the subject's 49 units, upon completion of the construction to a single purchaser on September 30, 2006 as of June 8, 2005 is

TWENTY SIX MILLION TWO HUNDRED THOUSAND DOLLARS
(\$26,200,000)

This appraisal has been made in accordance with the Standards of Practice and Code of Ethics of the Appraisal Institute, the guidelines according to USPAP and FIRREA.

Respectfully submitted,



Jeff Nienaber
State Certified General Real
Estate Appraiser, No 0002475

IDENTIFICATION OF SUBJECT PROPERTY

The subject property consists of 155,000 square feet URM zoned land located at 5300 Macdonald Avenue, Stock Island, Florida. [REDACTED]

PURPOSE OF THE APPRAISAL

The purpose of the report is to estimate the "As Is" Market Value of the subject property, in fee simple title, as of June 8, 2005 as well as the "Prospective" Wholesale Market value of all of the units to a single purchaser upon completion of the project on September 30, 2006, as of June 8, 2005. The prospective aggregate retail market value of the 49 units will also be estimated. [REDACTED]

MARKET VALUE

The following definition of market value is used by agencies that Regulate Federally Insured Financial Institutions in the United States, as :

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- * *Buyer and seller are typically motivated;*
- * *Both parties are well informed or well advised, and acting in what they consider their best interests;*
- * *A reasonable time is allowed for exposure in the open market;*
- * *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- * *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

The "Prospective" wholesale market value is defined as the prospective value of the proposed project, upon completion of the new construction. This value includes discount for the sellout period of the units, along with the appropriate selling costs and entrepreneurial profit for the remaining period of the sellout. This is a value to a single purchaser upon completion of the construction.

DATE OF APPRAISAL

The opinions and conclusions of this appraisal are stated as of June 8, 2005 the date of the final inspection. The prospective market value is based on the estimated date of completion and sellout of the project, or September 30, 2007.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are all rights existing in fee simple , as of the appraisal date of appraisal. Fee Simple Estates is defined as follows: (The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute 2002):

Fee Simple Estate: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."

USE OF APPRAISAL REPORT

This appraisal report is to be used by the client, Branch Banking and Trust, for valuation purposes regarding financing decisions.

LEGAL DESCRIPTION

Parcel A

Lots 1 thru 20 Sqr 38 & pt disclaimed First Avenue (Resolution #33-1973), STOCK ISLAND MALONEY SUBDIVISION as recorded in Plat Book 1, page 55 of the public records of Monroe County.

Parcel B

Part of disclaimed First Avenue (Resolution #33-1973), STOCK ISLAND MALONEY SUBDIVISION as recorded in Plat Book 1, page 55 of the public records of Monroe County.

OWNER OF RECORD

According to the Monroe County Tax records, the owner is:

Bounty Fisheries Limited
5300 Macdonald Avenue
Key West, Florida 330401

PRIOR RECENT SALES

The subject property is currently under contract for a reported purchase price of \$9,000,000. The transaction is expected to close by July of 2005. The seller was the existing mobile home park in poor condition. All the trailers were personal property and are to be removed by the seller. The sale price was based upon redevelopment of the site into 49 townhouse style condominiums. The sale price per unit of \$183,673 is consistent with sales of individual sites within the county and ready for development. There have been no other market transactions of the subject property over the past five years.

ASSESSED VALUE AND TAXES

The following is a summary of the assessed value and taxes for the entire parcel.

	Market Value	Taxes
Alt. Key 1159476	Total \$1,785,789	\$20,760.87
Alt. Key 8707975	Total \$ 30,600	\$ 326.81

According to the Monroe County Tax Records, the 2004 taxes have been paid. There are no other prior delinquent taxes. The assessed value and taxes are typical for the area.

The subject portion will be a vacant parcel, as the existing improvements are being demolished or removed from the site by the seller.

STATE DATA

The State of Florida has increased rapidly in population from 9,746,000 in 1980 to approximately 15,982,378 as of the 2000 Census Data. Florida in the past has been known principally for its tourist attractions, citrus, and winter produce. In addition to being a year-round resort area, the State has experienced an influx of growth of industry and manufacturing since World War II. Florida is now less dependent upon tourism which indicates a more stable year-round economy. The trend of the Florida economy generally parallels that of the nation with favorable future economic forecasts.

MONROE COUNTY DATA

Monroe County stretches 150 miles south and west of Miami and Miami-Dade County along a series of islands or keys connected by 42 bridges carrying U.S. #1 (Overseas Highway) to terminus Key West, the County seat. Total usable land area scattered over the larger keys is about 100 square miles, which includes Key West's 6+ square miles. Of this 100 square miles, only 25% is improved. However, most of the 75% vacant land is not develop able, meaning it is either wetlands, mangroves, or native areas protecting endangered species of birds, animals, plants and marine life.

MONROE COUNTY DATA (Continued)

Virtually all of this land is 0 to 18 feet above mean high water and classified within the FEMA 500 year flood hazard zone. The geology is mostly oolite (calcium carbonate granules) and coral rock. Tropical vegetation covers surface areas with a wide assortment of grasses, vines, shrubs and trees such as palms and pines. The shoreline is extensive and nearly all in mangroves, a protected specie. Sand beaches are few and are usually found in five or six state parks.

On the Atlantic Ocean or Florida Straits side of the Keys is a string of barrier reefs four to six miles off-shore with the axis of the Gulf stream two to four miles beyond, flowing northward. This band of turquoise and blue water contains some of the finest sport fishing in the world. Snorkeling and scuba diving are very popular, especially at John Pennenkamp and Looe Key State Underwater Parks.

Monroe County is the southernmost of Florida's 67 counties beginning at the Miami-Dade County line about 40 miles south of Miami, extending west and north to include the Everglades National Park and part of the Big Cypress National Preserve, and stretching 120 miles south and west along the largest of some 800 islands or Keys across 42 bridges carrying U.S. #1 (Overseas Highway) to terminus in Key West, the County seat. Total county area is 1,788 square miles, 1,672 square mile of which is national park and preserve. Unincorporated public and private usable areas is 94 square miles plus 6.25 square miles in the City of Key West, 4.87 square miles private and 1.4 square miles military. There are another 116 square miles in offshore Islands.

HISTORY

When the first Spanish explorers approached the Florida shores in the 16th century as they searched for rumored gold and eternal youth, a number of native Indian tribes had long resided throughout the peninsula and on its surrounding islands. The southernmost regions were dominated by the Tequestas and the Calusas, who thrived on the abundance provided by the sea and the rich coastal lands.

Like the other early Florida tribes, the Tequestas and Calusas eventually disappeared with the coming of Western civilization and its accompanying diseases and conquering spirit. Some of the void was filled, though by other natives, Creek Indians who slowly moved into the southern states. They were neither welcomed nor beloved by the European and American settlers. They came to be called "Seminoles", a name perhaps corrupted from the Spanish word *cimarron*, meaning "wild" or from the Creek words *ishti semoli*, meaning "wildmen" or "outlanders" or "separatists".

One contemporary chronicler of explorer Ponce de Leon, observing the chain of islands on the horizon, said they appeared as men who were suffering; hence they were given the name *Los Martires* or "the martyrs." No one knows exactly when the first European set foot on one of the Keys, but as exploration and shipping increased, the islands became prominent on nautical maps. The nearby treacherous coral reefs claimed many actual seafaring "martyrs" from the time of early recorded history. The chain was eventually called "keys", also attributed to the Spanish, from *cayos*, meaning "small islands".

MONROE COUNTY DATA (Continued)

In 1763, the Spanish ceded Florida to the British in a trade for the port of Havana. The treaty was unclear as to the status of the Keys. An agent of the King of Spain claimed that the islands, rich in fish, turtles and mahogany for shipbuilding, were part of Cuba, fearing that the English might build fortresses and dominate the shipping lanes. The British also realized the treaty was ambiguous, but declared that the Keys should be occupied and defended as part of Florida. The British claim was never officially contested. Ironically, the British gave the islands back to Spain in 1783, to keep them out of the hands of the United States, but in 1821 all of Florida, including the necklace of islands, officially became American territory.

In the early 1900's, travel between many of these islands was only possible by boat. A modern pioneer, Henry Morrison Flagler, claims responsibility for providing the first civilized access to the Keys. He dreamed of extending the Florida East Coast Railway from Homestead to Key West. His dream was realized in 1912, after years of extreme physical hardship for the engineers and laborers who designed and built it.

After the 1935 Labor Day hurricane destroyed the railroad, it was replaced by the Overseas Highway in 1938. The highway has since been widened and modernized. More than 40 bridges now connect these islands, like a Caribbean necklace, for more than 126 miles.

Though most of the Florida Keys remained remote and inaccessible until well into the 20th century, their history glitters with romantic tales of pirates, fortunes gleaned from unfortunate shipwrecks, brief heydays for several island cities, struggling pioneer farmers and occasional military occupation. It also holds its share of tragedy resulting from settlers' encounters with hostile Indians, yellow-fever-bearing mosquitoes, dangerous hurricanes and unpredictable seas.

GEOLOGY

The Florida Keys lie on a thick layer of limestone. The rock is covered by an ancient coral reef. In the lower islands, the porous Miami oolite, with its rich vegetation, appears once again. Low-lying islands with slight variations in elevation, the Keys boast a high point of 18 feet, on Windley Key. For the most part, however, they are very flat. There are over 800 islands large enough to appear on government charts, though many other tiny mangrove islets exist and are still aborning. About 30 of the Keys are inhabited.

To the east of the Florida Keys lies the only living coral reef in the continental United States. It is located between four and seven miles offshore, running parallel to the Keys from Key Largo to the Dry Tortugas. This living marine marvel, rising as high as a few feet below the surface of the water and descending to depths near the Gulf Stream, protects the Keys from the waves of the pounding Atlantic surf and hence from the development of sand beaches, a great surprise to many first-time visitors.

MONROE COUNTY DATA (Continued)

Florida is the only state in the continental United States to have extensive reef building coral formations near its coasts. Every year, over six million visitors come to the Florida Keys to enjoy the incredible system and the unique waters in which it lives. The special lure of the Florida Keys supports a two billion dollar economy. This economy depends on a healthy marine environment.

The Florida Keys National Marine Sanctuary, administered by the National Oceanic and Atmospheric Administration (NOAA) in partnership with the Florida Department of Environmental Protection (FDEP), encompasses 2800 square nautical miles of the waters surrounding the Florida Keys with the goal of balancing the long-term health of the ecosystem with the economy it supports.

POPULATION

As of the 2000 census, the 2000 total population of Monroe County is estimated at approximately 80,000 permanent residents increasing to approximately 125,000 during the peak winter season. Key West has approximately 28,000 permanent residents increasing to approximately 90,000 in season and is host to about 1.5 million tourists. This population is spread among the Upper Keys (Key Largo to Lower Matecumbe) 28%, Middle Keys (Long Key to Marathon) 17% and Lower Keys (Big Pine to Stock Island) 23%. Approximately 15,000 vehicles per day cross into Monroe County according recent traffic counts.

Commercial fishing was equal in importance to the tourist industry a few years ago, but has declined drastically, while tourism has grown rapidly since 1980. Industry in the Florida Keys, which was dominated by commercial fishing until recently, has changed in recent years to sport fishing and diving, marinas, motels, time-share resorts, restaurants, and other tourist-oriented businesses. Over the past ten years, the tourist season has expanded from a few months a year to almost year round.

The United States Navy also contributes significantly to the Lower Keys economy, since Key West Trumbo Point and Boca Chica Naval Air Station are home to naval fighter training and development. All services are represented with highly trained units. This results not only in a substantial military population requiring housing and services needs, but also employment for local civilians.

Monroe County growth and population have been steadily increasing over the past fifteen years. Much of the new resident population has located throughout the Keys. However, the greatest concentration of growth is located in Key Largo and the northern part of the county. Key West has grown 12% since 1980, but Monroe County as a whole grew 23%.

MONROE COUNTY DATA (Continued)

Tourism is now the single major economic driving force. 173,000 cruise ship passengers disembarked in Key West in 1990. This was a 323% increase from the previous year. 1994 through 1997 saw more increases as the number of cruise ships stopping in Key West averaged one per day with occasionally two & three in port at a time with one anchored off shore with passengers transported into Key West via party head boats. 1998 saw a slight decline due to inclement weather caused by Hurricane Georges. 1999 through 2003 indicated an increase over 1998 and 1997. Key West has approximately 3,800 hotel and motel rooms with another 1,300 rooms in guest houses and rental houses. Reports indicate occupancy rates of 70% in the county areas and 75% + for transient properties in Key West. This high occupancy factor is due to occupancy increases in the off-season, as Key West and the Florida Keys become a year round tourist destination.

In 1981, Monroe County created the County Tourist Development Council (TDC). This is a non-governmental entity of Monroe County whose sole purpose is to promote and advertise tourism for all of Monroe County. The Monroe County TDC is funded by a 3% tax on all overnight accommodations in Monroe County. The first two percent of this 3% tax is used to promote all of Monroe County including the City of Key West. The second portion of the TDC's bed tax is a one percent tax on all overnight accommodations in Monroe County. This 1% revenue is then allocated among different sections of the county (Marathon and the Lower Keys, Key Largo, Key West etc.), based on their pro-rated contribution of revenues. The portion of this revenue allocated to Key West is approximately 55% (per the TDC).

These funds are used for direct expenditures for advertising, promotion, tourist information services and special events promotions. Of this total collected tax, approximately 65% goes to promotion and advertising and 35% to special events.

Tourism has seen a steady increase in revenue since the late 1980's. This is likely attributable to the growth in hotels and motels during this period. Moderate increases in revenues have occurred in the 1990's, likely attributable to increased rental rates.

This increase in rental rates is likely due to the county's inability to add significant additional transient units. This translates into high occupancy rates, and with the strong supply of tourists the ability to command a higher rent for these transient units. This slightly upward trend is likely to continue, or at least remain at current levels, through the early 22nd century due to rate of growth restrictions placed by state and federal agencies.

Based on the above facts, it is obvious Monroe County have made a commitment to spending significant dollars to ensure the continued success of tourism in all of Monroe County.

MONROE COUNTY DATA (Continued)

TRENDS & CHANGES

Monroe County encompasses all of the Florida Keys and the Everglades National Park, providing access to excellent year round weather, scuba diving on living coral reefs and many wrecks, plus the finest sport fishing in the world.

The State Government, through the Department of Community Affairs (DCA) has declared Monroe County an Area of Critical Concern, subject to overriding review of the Land Use Plans submitted by the County and City governments. Basically, DCA wants to stop or severely restrict future development until such serious problems as adequate sewage treatment and disposal, solid waste disposal, infrastructure deterioration, and various environmental impacts are properly addressed. Monroe County and the City of Key West governments have been leaning in the other direction in response to the developers and the business community to increase expansion, plus their own internal need to find additional revenues just to maintain existing governmental structures.

This situation comes down to a continuing battle between these three entities. As a result, building permits are difficult and expensive to obtain, frequently taking up to two years of constant effort. Some permits however, are processed with a minimum of delay.

There recently was a 5 year building moratorium in Monroe County, which was replaced with a Non Residential Rate of Growth Ordinance (NROGO) for the unincorporated areas of the county. The new NROGO does not apply in the recently formed cities of Marathon and Islamorada, as their LDR and Comprehensive plans have yet to receive final DCA approval. Once these are approved, these recently incorporated areas are anticipated to create their own similar NROGO ordinances. Meanwhile these areas are still under a commercial building moratorium.

Monroe County has the highest cost of living of all of Florida's 67 counties. It has topped the list for the past 20 years. Gasoline typically costs 10 cents a gallon more in Key West than in Miami. Housing in Key West is about 30% to 40% above the state average and 20% to 25% higher than Miami-Dade County, its nearest competitor. An unfurnished one bedroom apartment in a preferred location such as Old Town Key West will rent for \$1,000 to over \$1,400 per month. A less expensive small 12 x 12 studio can easily rent for as much as \$900 per month or more.

Change is taking place throughout Monroe County as build-able land becomes more scarce, canal and waterfront lots are owned by speculators and developers, and permitting costs increase. Land and real estate valuations have increased steadily in Key West since the early 1990's, with similar increases seen in most areas of the county.

MONROE COUNTY DATA (Continued)

Taxes have been increasing in like manner as county and city governments attempt to deal with sewage and solid waste disposal, road and bridge repair, and crime control problems. The Tourist Development Council, on the other hand, funded by a 11% bed tax, is advertising and promoting tourism to support the number one element of our economy by persuading more people to visit the Keys. In a sense, this is a Catch-22 situation. More tourists to maintain the local economy, but the county is hard pressed for the sewage systems, solid waste landfills, and infrastructure repair to adequately support the residents and visitors we now have.

Change is taking place among the population. Longtime residents are finding real estate taxes and flood insurance becoming a major burden on top of other rising costs. As a result, some residents are selling the houses they have lived in many years, and moving to Central Florida or other areas of the southeast or Mid Atlantic regions to a better quality of life they can afford.

School principals state they cannot keep qualified teachers even with two family incomes. A similar situation is found in many businesses, trying to keep reliable employees in Key West where housing costs and taxes are the highest in the County.

The quaint, laid-back fishing village that was the City of Key West up until 15 to 20 years ago has changed with the addition of some modern luxury motels, condominiums and time share properties. Two recently completed planned unit developments, The Key West Golf Club and Roosevelt Annex, continue this trend with a mix of townhouses and single family residences, aimed at the upper end market. In addition, the Roosevelt Annex is to provide more affordable housing units. Other new projects within Key West include redevelopment of the Jabours RV park into luxury condominiums as well as the redevelopment of the old City Electric Plant. Other new developments include Coral Hammock just outside of Key West on Stock Island.

A recent trend for redevelopment throughout the county is the purchase and redevelopment of RV, motel and mobile home parks into high end luxury housing. There are currently 6 such projects in various stages of redevelopment at the current time.

Recently, many unincorporated areas of the county have voted for incorporation. The most recent Keys to incorporate were Marathon in 1999 and Islamorada in 1998. This recent trend is to ensure more local control over government issues in these local areas.

Efforts are being made to provide much needed affordable housing for those coming to work in the service industries. A 192 unit affordable apartment development has been constructed in the past few years. In addition the county and cities provided incentives for owners who develop affordable housing units.

MONROE COUNTY DATA (Continued)

Marathon airport recently went forward with expansion and construction of a new terminal facility. Marathon reported a 32% increase in arrivals to 27,800 people in 1993. However, since 1994 commercial air traffic in and out of Marathon has been reduced, with all major airlines eliminating service in and out of the Marathon Airport due to its relatively close location to Key West. However, recent changes in the airline industry involving use of regional jets (RJ's) may impact the Marathon Airport, which currently has no commercial service.

The new RJ's offer direct service to major hubs, rather than connecting through Miami, Fort Lauderdale, Tampa or Orlando. The only current RJ service is from Key West to Atlanta direct. This flight is usually near capacity and runs twice per day. The only limitations are the short runway, which barely meets FAA minimums for this type of aircraft. However, Marathon airport is remodeled and has approximately 8,000 linear feet of paved runway, which can be extended to approximately 10,000 linear feet. This fact along with possible direct jet service to major airline hubs makes use of the Marathon Airport appealing to the major airlines. The market area served by this airport now includes all areas north of Marathon, where residents and tourists typically have drive to Miami International Airport rather than Key West. Due to these changes it is anticipated that commercial air service may commence sometime in the next year.

Key West airport, originally built to handle 35,000 people, recorded a jump from 401,349 in 1992 to 435,186 in 1993, and nearly 500,000 for all of 1999 through 2003. New regional jet service was approved in the fall of 2002, with Delta Airlines now operating direct regional jet service to Atlanta. Key West Airport also recently went under significant renovations, with the creation of a separate customs and a new greyhound bus terminal.

Increased tax burdens and other high costs associated with living in Monroe County, has resulted in some long-time residents leaving (especially those on fixed-incomes). Those property owners who remain must be financially in the median-upper to upper economic range, in order to cover everyday expenses. This stratification means that low average-pay scale makes it difficult to attract and retain teachers, nurses, policemen, firemen, college professors, and service industry workers. However, the strong tourist economy of Monroe County encourages entrepreneurship in the form of charter boat businesses, boutiques, specialty shops, restaurants, lounges, hotels, motels, and time-share projects. Key West is a town of small businesses, largely directed toward the tourist economy. This is true for the cities of Marathon, Islamorada, as well as the unincorporated island of Key Largo.

A tourist-based economy requires many service employees; hence a need for employee housing. Due to supply and demand factors for housing in recent years, service employees could not afford a suitable place to live, unless two or more shared an apartment. Due to government tax incentives for developing "Affordable Housing" units in this area, several new projects have recently been built, and have rental rates which are affordable by the employee population. One of the more recent Key West rental developments is Mariners Cove, located on Northside Drive.

MONROE COUNTY DATA (Continued)

Increasing property taxes and housing costs throughout the Keys are slowly creating a stronger demand for affordable rentals. It is estimated in Key West alone there is an estimated shortage of 1,800 affordable housing units. This trend continues to grow as many out of state property owners purchase multiple family homes and convert them back to single family residences. This trend has greatly accelerated Over the past 24 months, especially in Key West. Recent resales of homes in Old Town typically range from \$500 psf for a "fixer upper" to over \$1,000 psf for some classic revival homes in excellent condition. The upward trend continues, likely to the unique architecture and climate only found only in this tropical island within the confines of the United States. These properties are also seen as a safer alternative investment by many wealthy individuals throughout the country, many of whom have lost significant dollars in the stock market and mutual fund markets. Similar trends, though not quite as extreme, are occurring throughout the county.

Several moderate income housing projects are currently in the planning stage within Monroe County. Two small projects are planned for Marathon, with tentative plans for a 65 unit project in the on Stock Island. In addition, there have been several recent proposals for renovation of the old City Electric steam plant in Key West, as well as a proposed 80 unit project on Rockland Key. A plan for development of low income housing in the Roosevelt Annex development was recently scaled back to create moderate income housing, with a voucher type plan to accommodate lower income families. In addition, the City of Key West passed a referendum in late 2000 to borrow \$2.5 Million in funds for affordable housing in the Bahama Village neighborhood.

The major trend of the cities of Key West and Islamorada are becoming upper-class tourist destinations. In Islamorada this is due to the world class fishing in the area, and recent renovations of resorts with rising room rates for motels, as well as renovations of existing buildings into upscale shopping centers. In Key West no single development reflects this more than Truman Annex, where prices for a condominium begin around \$300,000. This trend is further reflected in the conversion of residences to retail or other commercial uses along upper Duval Street as well as areas along Simonton, White and Truman Avenues. The City of Marathon is redeveloping at less intense rate than other areas of the keys, however this is anticipated to slowly change once the city enacts it's own comprehensive plan and land development regulations.

Therefore, the overall observation is that Monroe County and Key West is largely dependant on a strong tourist-based economy. Inherent in growth is increased demand on utilities, services, and public facilities.

MONROE COUNTY DATA (Continued)

As an island community, stretching approximately 130 miles southwest of the Florida mainland, one major problem in the county is waste disposal. A new Key West sewer plant came on-line in early 1989, trying to end the seepage of the city's raw sewage into the surrounding waters. In 2000 tests of water quality by the EPA indicated strong levels of human fecal matter in some beaches in Key West and the middle keys area. This is caused by leaky sewers in Key West, and the numerous number of on site septic systems in the remainder of Monroe County. This has caused some negative publicity for Monroe County. The affects on the local economy were minimal, and the city of Key West has replaced a majority of the older sewer lines. Some county and city officials in the remainder of Monroe County have proposed a county wide sewer system, similar to the FKAA water system. No official solution to the overall problem has yet to be determined.

Another major county wide concern is solid waste disposal, since the current dump sites will likely be closed within the next few years, with no potential sites for new landfills available in Monroe County. At this time the City and County are discussing a possible mutual solution to the solid waste problem all of which will cost the tax payers more and more over the next years.

Another concern has been the recent 2001 and partial 2002 summer droughts in South Florida. The situation worsened in early 2004, but has stabilized in 2005. However, new residential development in south Miami-Dade county is also putting a strain on the water supply. Therefore long term there are still concerns of a possible salt water intrusion into the well field in Florida City. The majority of Florida's fresh water supply is located in the northern ½ of the state with the majority of the population located in the southern half of the state. There has been some discussion of a pipeline or canal water system, similar to the system found in the valley areas of Arizona.

These recent droughts were the worst experienced in South Florida since 1961. This well field services all of Monroe County, and as the well water level dropped the chances increased that salt water could infiltrate the well. In a worst case scenario this could have contaminated the well site forever, creating a difficult problem on exactly where Monroe County would obtain it's fresh water source.

Other problems result from scarcity of land for recreational facilities, new schools, government centers, and low and median-priced housing. Traffic congestion on the few main thoroughfares in Key West and US #1 in the remainder of the county is becoming heavier each season. More vehicular and pedestrian accidents occur due to heavy traffic, and minimal potential exists for widening the existing highway. The only major highway through Monroe County is U.S. #1 (Overseas Highway), which terminates in Key West.

MONROE COUNTY DATA (Continued)

A Comprehensive Land Use Plan has been developed to cope with these and other problems of the area. The major thrust of this new plan is Concurrency, which means development will not take place, unless supporting facilities are adequate. Therefore, development is going to be more difficult and more expensive, with developers carrying the burden for increased demand on facilities. The ultimate result will likely be less new development, and even higher prices for that which already exists.

Many of the renovated homes in the Key West Historical District are selling at prices exceeding \$2,000,000, as are many waterfront properties in Monroe County. Many vacant sites in certain areas of the county, such as Islamorada, have sold for over \$1,000,000. Commercial buyers are also very active with recent national chains moving into the county, such as Hard Rock Café, Bass Pro Shops, Outback Steakhouse, Office Max and Office Depot. Also many smaller high end retail operations are expanding into the Islamorada, Key Largo and Key West Markets. However the City of Key West has recently passed an ordinance prohibiting such chains from proliferating in certain zoning districts of the city in order to maintain a more small town feel.

These clearly visible changes in the economy are a direct result of the trend toward high-end tourism, resulting in a more sophisticated resident and consumer.

The Florida Keys continue to grow, but environmentalists and conservationists continue to be more vocal and militant. Destruction of the fragile ecology has ground to a halt during the past few years. There have also been recent discussions on the federal and state levels regarding no fishing zones in the "Hump" off of Islamorada and other areas in the Florida Keys.

The Monroe County Planning Department has a "Rate of Growth Ordinance" (ROGO) in effect for all of Monroe County, which is based on a hurricane evacuation time frame of 25 to 30 hours. This has the effect of severely limiting new residential growth.

At this time the number of residential permits which may be issued in Monroe County per year stands at 255, which is dispersed throughout different areas of the county. Building permits for residential development are currently issued on a priority point basis. Commercial development in the County Areas is affected by the previously mentioned NROGO system, which replaced a five year moratorium on commercial construction. This new Non Residential Rate of Growth ordinance based on the number of residential permits issued each year. The estimated amount of new commercial development is estimated to be between 20,000 and 22,000 square feet per year, per Monroe County.

MONROE COUNTY DATA (Continued)

Recently Monroe County has complied with a request from FEMA to allow inspection and removal of lower level residential enclosures that have been constructed illegally since the late 1970's. This has been a controversial issue for the past few years, but compliance was inevitable as FEMA had threatened to not fund any hurricane related insurance or disaster aid if the county remained un-compliant. Possible ramifications do include an increased shortage of affordable housing as many of these illegal enclosures have been occupied by low income workers throughout the county.

Monroe County electric service is provided by the Florida Keys Electric Co-Op in the middle and upper keys, and serviced by Keys Energy Services (formerly City Electric of Key West) in the lower keys and Key West areas. Rates are subject to approval by the State Public Service Commission and monthly bills are based on kilowatt hour consumption.

Telephone service is provided by BellSouth and water service by Florida Keys Aqueduct Authority. City Sewer service is available in Key West, with most of the remainder of the county having on site septic systems.

There are 10 private and 17 public schools throughout Monroe County. The upper Keys (Layton-Ocean Reef) has one high school and two elementary schools, the middle keys (Marathon) has one high school and one elementary school and the Lower Keys (Key West) has one high school, one middle school, six elementary schools and one ungraded school. Monroe County also has a community college. The main campus to the Florida Keys Community College is located in Key West, however, there are branches located in the Upper Keys (Plantation Key) and Middle Keys (Marathon). A new high school is planned for the Upper Keys.

The County is serviced by several local newspapers. The Miami Herald is distributed throughout the Florida Keys (Key Largo-Key West). The newspaper serving the Lower Keys is the Key West Citizen. The Middle Keys is served by the Keynoter. The Upper Keys are served by the Free Press, Keynoter, and Reporter. There are several local radio stations throughout the Keys, and the Upper Keys have three FM stations.

The Florida Keys have excellent water recreational activities. Thousands of visitors come each year to dive and fish the coral reefs throughout the Florida Keys. Although primarily limited to water recreation, the county also has two golf courses, dog racing, and movie theaters. Monroe County also has a free public library system with three branches located throughout the county.

MONROE COUNTY DATA (Continued)

U.S. #1 (also known as Overseas Highway) is the main thoroughfare entering and exiting the Florida Keys. In Monroe County, U.S. #1 (Overseas Highway) begins at Mile Marker 112 and runs approximately 112 miles to Key West. There are two public airports located in Monroe County, one in Marathon and the other located in Key West. The Miami International Airport is located approximately 50 miles north of the Key Largo area and is the major airport used by residents in the Upper Keys. Ground transportation services are limited to taxi services and the Greyhound Bus.

Summary:

The overall economy of Monroe County has steadily increased over the past decade. The tourist industry is the dominating market for revenues generated in the county. The steady increase in tourism over the past several years is expected to continue well into the foreseeable future. The effects of the September 11th 2001 terrorist attacks appear to have had minimal impact on the local economy. However during the recent nationwide recession, the local economy appeared to have been unaffected. This was especially true to retailers along Duval Street, who pay some of the highest rents per square foot in the nation. However recent statistics indicate a strong market in Monroe County with little impact on sale prices and the number of tourists visiting Monroe County.

Due to limiting the number of building permits residential and commercial growth will be minimal over the foreseeable future. However, because of the ever increasing tourist base the existing properties, such as hotels and motels, will experience increases in demand over the next few years.

National Economic Indicators

The national economy had slid into a moderate recession during late 2002 and the first half of 2003. The national unemployment rate has hovered around 6% or more over the past few months. The most recent unemployment rates have dropped and are now below 6%.

However, in the period after the 1990-1991 recession, the unemployment rate peaked at 7.8%. During the last 30 years, the unemployment rate has averaged 6.3%. The recent 6.0% +/- appears to be a concern, but compared to historical data is not as significant as many think. However the total number of long term unemployed appears to be a significant problem for the country as a whole.

The economy may not be expanding as it did in the late 1990s, but it does show some sign of deflating, which many economists may fear is on the horizon. During the first half of the year the economy appeared to stall, mostly due to the uncertainty and eventual war with Iraq. Since the war started the stock market has been a constant state of flux due to uncertainties of war and the fear of a protracted conflict.

However, rapidly increasing prices for single family homes have made home ownership unaffordable for most residents. The current range in prices in the current housing stock is from \$750,000 to \$2,500,000 with a median price of around \$1.2 million

MONROE COUNTY DATA (Continued)

National Economic Indicators (Continued)

However, Real Estate values have also remained strong nationwide, due to the volatility of the stock market and record low interest rates. Many major metropolitan areas have seen double digit increases in property values, within many major urban areas having median home prices above \$250,000. Only two MSA areas had median market values below \$100,000.

The cause of these increases are likely due to the above mentioned "safe" history long term of real estate. However, the median family income today (two income earners) compared to the median family income in the late 1960's and early 1970's (one income earner) is approximately 75% in adjusted dollars. Thus the middle class appears to have lost economic ground while the national GDP has remained strong or stronger over the same period. This disparity in income distribution, combined with rising nationwide home values has a serious negative effect for new home buyers, who are unlikely to have the income or assets to purchase a home in the foreseeable future. The short term effect appears to be inflation, which the Federal government has yet to officially recognize, but has to exist with these types of value increase over the past 24 months. Typical statements tend to infer that the lower cost of funds have offset the increase in value. Although in reality rates have been stable most of this period, with recent slight increases due to the effects of the Bond Market.

Other concerns for this nationwide residential real estate market is the current and past administrations allowing the outsourcing of many professional and non-professional jobs to foreign countries. This practice has been increasing over the past decade, and poses a serious threat to the stability of the national economy. The recent increases in real estate prices may fall if no new jobs are created and more jobs are outsourced. Owners of existing homes may have to sell, and if residential rates increase, which is likely since they are tied to the bond market, the homes will have less value as most purchasers in the recent boom bought homes based on payment afford ability rather than a realistic comparison to the principle of substitution. Thus many developers have made phenomenal profits in excess of 20% entrepreneurial profit. Since this has occurred many suppliers have joined the bandwagon and prices for lumber and supplies are at record high prices, due largely to the temporary boom in real estate values.

If the economy does not grow significantly and the outsourcing of jobs is not halted, the country also long term faces the risk of deflation. The deflation will occur not only from deflated real estate values in most parts of the country, but from lower costs of goods due to outsourced labor and re-imported goods at a lower cost.

MONROE COUNTY DATA (Continued)

National Economic Indicators (Continued)

However, the commercial lending market has a much more stable future, as rents have increased only slightly nationwide and lending rates are tied to the Federal Funds rate, which is still at near record low rates and has been stated by the Reserve Board it intends only minor increases for the foreseeable future (1 to 2 years according to most economists). Many major urban markets have seen annual increase of 20% or more in residential property, which is seen as a much safer investment than stocks. The recent decrease in the federal funds rate will only further fuel real estate investment, due to low returns in the money markets.

The Federal Reserve's rate-setting committee meets eight times a year. Each time, it issues a statement that explains its rate policy, describes the current state of the economy and predicts the future direction of the economy. The statements are drafted by Fed chairman Alan Greenspan. The most recent statements have been almost identical to previous statements, with exception of a more upbeat assessment because the economy finally started created jobs in September 2004 after eight straight months of shedding jobs.

Most prices do remain steady because businesses can't afford to raise them. This is primarily due to the fact that personal income levels have not risen significantly and housing prices have soared.

However, the Committee perceives that the upside and downside risks to the attainment of sustainable growth for the next few quarters are roughly equal. In contrast, the probability, though minor, of an unwelcome fall in inflation exceeds that of a rise in inflation from its already low level. The Committee judges that, on balance, the risk of inflation becoming undesirably low remains the predominant concern for the foreseeable future. In these circumstances, the Committee believes that policy accommodation can be maintained for a considerable period.

In other words, the Federal Reserve Board believes the chances that the economy will grow in the next year are roughly equal to the chances that it will be stagnant. The Feds do admit that deflation, though they believe is a low risk, remains their biggest worry over the long term.

However, as previously stated, the short term increases in housing costs may cause a short period of inflation, which may be followed by a serious period of deflation if the outsourcing of jobs and distribution of income is not corrected. At the most recent Federal Reserve Board Meeting there was talk of another possible hike in the prime rate later this year, depending on the economic outlook later this year.

MONROE COUNTY DATA (Continued)

Key West and Monroe County Market

However, the above mentioned factors have little impact on the local housing market, as many of the buyers are wealthy individuals either migrating to the Keys or investing for future retirement. The typical income of these purchasers is well above the national average and many are some of the wealthiest individuals in the country. However, home prices over \$2,000,00 are currently experience long exposure times, as the high end market may have peaked due to a limited amount of buyers available to purchase these high priced homes

The commercial tourist market is also unlikely to be affected, unless an extended period of deflation occurs for an extended period of time.

At the present time Monroe County is in the middle of the tourist season, and the local economic conditions in the tourist trade appear to be in line with previous years, with the exception of the short period after 9/11. This is due to the previously stated facts regarding the uniqueness and accessibility of the Florida Keys by automobile. However some retailers have seen reduced spending for items other than food and lodging, likely due to the slowdown in the general economy. Analysis of hotel and motel occupancy rates from 2003 and 2004 indicate no significant change.

The average interest rate has dropped significantly since 2000, with many commercial lenders still offering 3-5 year fixed rate loans at 6%, 25 year amortization and 5 to 10 year balloons. Analysis of recent sales indicate Internal Rates of Return ranging from 5% to 10% for all types of commercial properties.

NEIGHBORHOOD DESCRIPTION

Stock Island immediate neighborhood data

The subject property is located on the Overseas Hwy on Stock Island. Stock Island is primarily a mixed use island with residential, commercial and a few industrial properties scattered throughout the island. Additionally there are several large marinas located on the southern and Eastern ends of the Island. The Northern portion of the Island is developed with a golf course, a hospital, a community college and a new residential development adjacent to the golf course. Police protection is provided by Monroe County. Public transportation is available to Key West on a limited basis. The neighborhood is stable with a few new residential and commercial projects being constructed annually. The neighborhood is primarily suburban and approximately 75%-80% built-up.

Key West, one to five miles West, is the primary shopping area for the lower Florida Keys. On Key West there are located many major grocery, banking and retail outlets, such as Sears, Penneys, Winn Dixie, Publix and Scotties, which service the Lower Keys area. The county provides police and fire protection as well as the education system. Water is provided from the Florida Keys Aqueduct Authority, sewer from the City of Key West and power is from City Electric.

NEIGHBORHOOD DESCRIPTION (Continued)

Condominium Market

The condominium market in the northern portions of Key West and Stock Island have been strong, with several recent projects having been developed. The Salt Ponds Condominiums are located on South Roosevelt Boulevard and have been marketed towards middle income property owners, with a certain percentage of the units targeted towards moderate income buyers. This project sold out quickly and has had recent resales indicating 100% above the original developers selling prices.

Sunset Marina and Waterfront Residences is located north of the subject on the Bay side of Stock island with 60 units that originally ranged in price from \$385,000 to over \$575,000 for the larger units. This project also contains a renovated marina with 45 condominium boat slips and 118 retained by the marina. This project has received good acceptance and had an indicated absorption rate of 1.4 units per month. Prices in this development have increased 50% to 75% over the past 18 months.

Boating is limited primarily to powerboats due to lack of deep water access to the Gulf of Mexico and height restrictions due to the existing US#1 bridge which provides access to the Atlantic Ocean.

Flaglers Landing is a 13 unit project that was developed in 1999 and 2000. All of the units were sold prior to completion of the project with prices ranging from \$299,000 to \$660,000. The project has no moderate deep water access, however any sailboats have a significant distance to deep water due to the bridge on Fleming Key. Again resales indicated price twice the original asking price.

Coral Hammock is a 59 unit townhouse style project located 1 block east of the subject. This project sold out with reservations immediately and had original prices from approximately \$300,000 to \$450,000. Recent re-sales have hovered around \$700,000 for this project. This is the most recent project compared to the subject.

Conclusion

The subject is located within a stable area of residential, industrial, office and some retail properties. Demand for new housing is strong, as evidenced by the success of similar projects in the area. Therefore the demand this type of property is anticipated to remain strong for the foreseeable future.

ZONING

The subject property is zoned URM, a mixed use district that allows residential mobile and single family dwellings. The subject site is being converted from Mobile home to stick built homes, which is preferred by both FEMA and Monroe County due to the safety risk of mobile homes in the county from potential Hurricane winds and storm surges. The intended use is allowable in the URM zoning district.

STREET IMPROVEMENTS

Macdonald Avenue is a two lane, asphalt and gravel paved, roadway with a dedicated right-of-way of 60 feet. The street improvements include street lighting and utility poles. US #1 is a four lane divided highway with a center median in front of the subject property.

SITE DESCRIPTION

The subject property consists of a rectangular shaped parcel with approximately 155,000 square feet of total land area. Access to the property is to be via MacDonald Avenue. The property consists of two combined tax parcels.

Access

Access to the site is to be via an entrance on MacDonald Avenue. Access to US #1 is one block via an signaled intersection with US #1. Additional access to US #1 is via Third Street, which is an un signaled intersection.

Topography

The site is level and at about road grade. Soil and subsoil tests were not performed as part of this appraisal. Conditions are assumed to be adequate based upon existing improvements within the area.

Easements and Encroachments

The provided plans do not show any adverse easements or encroachments. However the existing improvements are to be moved off the subject site or demolished. Therefore, no adverse easements are assumed. Typical utility easements would have no adverse affect on the subject.

Utilities

Water:	FCAA.
Sewer	Key West Resort Utilities
Electric:	Keys Electric (formerly City Electric of Key West).
Telephone:	BellSouth.
Police and Fire Rescue:	Monroe County.

Flood Zone

The subject is located within Flood Zone AE, special flood hazard areas inundated by 100-year flood, per Monroe County flood map 12807C community panel number 1736-H, effective March 3, 1997. Flood insurance is normally required for properties within the AE zone.

SITE DESCRIPTION (Continued)

Census Tract

The subject is located in Census Tract 9716

Concurrency:

The concurrency provisions of the Growth Management Act mandates that development can proceed only when the necessary infrastructure is already in place or will be in place concurrent with the impact of development. This concurrency rate means that developers must satisfy seven areas of level of service (LOS) including: roads, drainage, sanitary sewer, potable water, solid waste, recreation and mass transit.

The proposed subject project is based on all concurrency approvals being in place.

Impact Fees

Impact fees are those charges that are assessed to divide equal and fair coverage of all related development costs as regarding the impact of the new units on the existing community. These fees are assessed on a varying basis and include such items as a water charge, road charge, police and fire charge and utility charge, among others.

According to the developer there are virtually no impact fees as the site is being redeveloped.

PROPOSED IMPROVEMENTS

able

size

ped

rt of
unit
A

developments in the area.

HIGHEST AND BEST USE

Highest and Best Use is defined as " 1) The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of the appraisal. 2) The reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value. 3) The most profitable use.

Implied in these definitions is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like."

Source: The Dictionary of Real Estate Appraisal, published by the Appraisal Institute, 2002.

The definition immediately above applies specifically to the Highest and Best Use of land. It is to be recognized that in cases where a site has existing improvements on it, the Highest and Best Use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its Highest and Best Use exceeds the total value of the property in its existing use.

There are four tests that a property must meet in order to indicate Highest and Best Use. The use must be physically and legally possible, financially feasible, and must be the most productive use among the possible alternative uses.

HIGHEST AND BEST USE (Continued)

- 1) **Physically Possible:** The conditions and nature of the site must be such that it can support development. Physical factors include size, shape, frontage, utilities and subsoil conditions.

The subject property contains 155,000 square feet of URM zoned land. The property has adequate frontage, depth and size to support the construction of any of the residential uses allowed under the URM zoning designation. There is adequate access to utilities. Subsoil conditions are assumed to be adequate. Uses such as condominium, single family dwelling development, mobile home park or apartment project are all both physically possible uses.

- 2) **Legally Permissible:** Any proposed use for the site must be legal; it must conform to zoning ordinances, deed restrictions, private use agreements or public historical use controls.

The subject property is governed by the URM zoning district which allows for residential single family, condominium or mobile home development. The predominant recently developed uses in the area are new townhouse style residences. Redevelopment in the area has been almost nearly all residential or mixed use (residential and ground level commercial). Therefore the proposed use, as housing development with 49 units, is a legal conforming use. The subject contains development rights for 49 residential units as there was an existing trailer park on site with 49 units, which are to be removed.

- 3) **Financially Feasible:** Any proposed use for the site must provide a yield on invested capital sufficient to warrant the investment.

Condominium or apartment development is the only legal and possible use consistent with the development within the subject neighborhood for similar waterfront sites. Nearby new condominium developments have received good market acceptance.

New condominium projects in the area indicated absorption rates from 3 to 7 sales per quarter. The projects in the area indicated favorable market acceptance. Therefore the use a single family housing Conch style condominium project, as proposed is the most feasible use. This use also returns a positive value to land and is, therefore, considered to be feasible.

- 4) **Maximally Productive:** That feasible use, based on financial use analysis and return to the land and/or capital, that provides the highest yield for the longest period of time.

A townhouse style condominium development is considered physically possible, legally permissible, and the most financially feasible alternative. A review of condominium sales in the Key West area indicated sale prices and absorption rates necessary to justify development of the project.

HIGHEST AND BEST USE (Continued)

The Development Method includes a market survey of various new and existing condominium units and developments in the market area. The survey indicates that the developments have received favorable market acceptance and that sales/contracts are generated at a favorable rate. Therefore, it is concluded that the neighborhood will support the development of a condominium project on the subject property.

Since it is economically effective to develop the property rather than leave it vacant, the maximally productive use is the development of a 49 unit townhouse style condominium project as proposed.

Conclusion - Highest and Best Use as if vacant

Based on the aforementioned analysis the highest and best use of the subject property is for the development of a 49 unit condominium project, as proposed.

SCOPE OF APPRAISAL

As a part of this appraisal, a number of independent investigations and analysis have been made. A final inspection of the vacant site was conducted on June 8th 2005. A market survey of competitive developments was conducted in order to determine the feasibility of condominium development. The absorption rates and cost estimates are used to develop a discounted cash flow model that provides an indication of value as related to the construction and sale of the proposed subject condominium development.

Sales relied upon were confirmed through public records and with knowledgeable parties to the transactions where possible with primary and secondary data utilized. Confirmation with principals is often not possible due to their inaccessibility during the time frame over which the appraisal is being prepared. In the course of the sales investigation, proprietary information is often withheld from the appraisers.

Such information, which is not a matter of public record, is also not available to the general market and for that reason, the market is imperfect. All data provided is verified to the best of our ability. However, no legal or technical expertise are assumed and if leases or agreements and other factual data under review appear on the surface to be reasonable, the information is accepted as accurate. The extent of this verification is to confirm that the documents exist and to review them. It is assumed that they are legal and valid and the ability to audit, make legal interpretations, or to detect fraud is not assumed.

The existence of any environmental hazard such as the presence of hazardous wastes, toxic substances, radon gas, asbestos containing materials, ureaformaldehyde insulation, etc. which may or may not be present in or on the subject property or any site within the vicinity of the property was not observed and no knowledge of any such environmental hazard is not assumed. The appraiser, however, is not qualified to detect such substances.

SCOPE OF APPRAISAL (Continued)

Also, no independent investigation of concurrency matters regarding the subject or any comparable sale was made. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The user of the report should therefore consult an attorney, contractor, accountant, engineer or other experts as necessary to verify technical data which could impact on the value of the property.

There are three primary approaches to value which should be considered. They are: (1) the Cost Approach, (2) the Sales Comparison Approach, and (3) the Income Capitalization Approach.

The Cost Approach utilizes the value of the subject land as estimated from the market together with a replacement cost estimate of the structures and site improvements. From this a deduction must be made for accrued depreciation: physical, functional, and economic, if any, to provide an additional estimate of the total property value.

The Sales Comparison Approach involves an investigation and inspection of recent land sales in the area as nearly similar as possible to the subject. The sale properties (comparable sales) are then compared with the subject, and adjustments made for dissimilar characteristics. The Sales Comparison Approach included sales of similar vacant residential tracts located in nearby Miami Beach. These sales were used to estimate the "as is" market value of the subject site.

Searches were made to find individual retail sales of similar style condominium projects and units similar to the subject property. Three similar condominium projects were located as well as resales of very similar condominium units located on deep water within the Truman Annex development in Key West. The sale properties (comparable sales) are then compared with the subject, and adjustments made for dissimilar characteristics. The "as is" market value will also be estimated via the Development Method.

One of the most reliable analytical methods available to estimate the probability of success (feasibility) of a project similar to the subject, is the Discounted Sell-Out Method (or Development Method to Value). A positive indication for the success of any proposed development is usually yielded when the present worth of the (discounted) cash flows are greater than the cost to produce. Discounting is for time or for waiting. Proper appraisal technique requires the discounting process to be applied over the estimated absorption period. The discounting process starts at the point of maximum risk to the lender, which is when the construction of the units are finished and no units have been sold (closed). Up to the date of completion, costs add to what is produced and therefore to value. After completion of construction, all costs incurred are deductions because the costs are necessary expenditures required to market the finished product.

SCOPE OF APPRAISAL (Continued)

Developer's overhead and profit is a cost to be recovered. Therefore, this entrepreneurial profit must be included as part of the cost in the Development Approach. For feasibility to exist, value via the Discounted Sell-Out Method must be equal or greater than the cost to develop. This discount value is intended to be an indication of the probable sales price of the entire completed site development to a single, knowledgeable entrepreneur.

The Income Capitalization Approach, designed for application to income producing properties, utilizes a technique of capitalizing the net income into an estimate of value. The factors included in the technique are derived from a study of other similar type income properties. Only the development method will be used in this appraisal. Since it is not feasible to develop the site with a rental project due to the high rents required to make such a project feasible, a traditional income approach will not be applied.

In all cases, except an appraisal of vacant land, it is necessary that all approaches should be considered and that those applicable approaches be utilized to form an estimate of value.

The Sales Comparison Approach and the Development method are used in this report.

LAND VALUE- SALES COMPARISON APPROACH - ("As Is" Market Value)

The technique in estimating the value for the land involves the principle of substitution as its basis. The methodology includes an analysis of what buyers in the area are paying for similar properties. Therefore, the value of the subject land is derived from analyzing sales of comparable properties in the area. However recent vacant land sales from the area do not take in to consideration the economic benefit of the subject site.

The subject sites differ from recent land sales in that a ROGO unit is already accounted for and the time needed to obtain a building permit is greatly reduced. Therefore is the opinion of the appraiser that the sales comparison approach is not a reliable indicator of value.

A search was conducted in order to find recent sales of vacant land that is governed by the same or similar land use requirements as the subject. A search of the immediate neighborhood and nearby areas revealed the sales detailed below.

The land comparables provide a range of land values within which the subject value is determined. The comparables are outlined in the chart located on the following page.

LAND VALUE (Continued)

LAND SALES CHART								
#	Location	Sale Date	Sale Price	Site Size	# Unit	Rogo	Zoning	Sale/ Unit
1	350 46 th Street	11/02	\$125,000	4,848	1	No	URM	\$125,000
2	Lot 8, Summerland Key	5/05	\$125,000	6,300	1	No	IS	\$125,000
3	28293 Helen Street Little Torch Key	3/05	\$250,000	6,000	1	Yes	IS	\$250,000
4	0 Gulfstream Marathon	4/05	\$325,000	27,442	1	No	IS	\$325,000

Land Sale 1 is the November 2002 sale of a 4,858 square foot site with a mobile home located on the site. The improvements are beyond their useful life, and the price represents the value of a dry lot with a ROGO permit. The indicated value was \$125,000 per unit.

The seller was Richard Carnicom and the buyer was Maria Valdes. The sale was recorded in Official Record Book 1837, Page 19 of the public records of Monroe County. The sale was conveyed via Warranty Deed.

Land Sale 2 is the May 2005 sale of a 6,300 square foot vacant sitewith no ROGO rights. The property is located on Summerland Key. The indicated price per unit was \$125,000.

The seller was Richard Carnicom and the buyer was Maria Valdes. The sale was recorded in Official Record Book 1837, Page 19 of the public records of Monroe County. The sale was conveyed via Warranty Deed.

Land Sale 3 is the March 2005 sale of a 6,000 square foot vacant site with ROGO rights. The property is located on Summerland Key. The indicated price per unit was \$250,000.

The seller was Richard Carnicom and the buyer was Maria Valdes. The sale was recorded in Official Record Book 1837, Page 19 of the public records of Monroe County. The sale was conveyed via Warranty Deed.

LAND VALUE (Continued)

Analysis:

Conclusion of dry lots

Sales 1 and 2 indicated a value of \$125,000 per site. However, these sites had no ROGO rights to build and the permitting process could take from 3 to 5 years. Sale 3 previously contained a residence that had burned tot he ground, thus the site is exempt from ROGO and could be built upon immediately. Analysis of ROGO sales and market abstraction indicated an additional \$50,000 per site lots with ROGO rights to build. Therefore sales 1 and 2 were adjusted upwards \$50,000 as depicted in the following chart.

LAND SALES CHART									
#	Location	Sale Date	Sale Price	Site Size	# Unit	Rogo	Zoning	Sale/ Unit	Value W/ Rogo
1	350 46 th Street	11/02	\$125,000	4,848	1	No	URM	\$125,000	\$175,000
2	Lot 8, Summerland Key	5/05	\$125,000	6,300	1	No	IS	\$125,000	\$175,000
3	28293 Helen Street Little Torch Key	3/05	\$250,000	6,000	1	Yes	IS	\$250,000	\$250,000

Analysis

The three sales, after adjusting for ROGO rights, indicated a range from \$175,000 to \$250,000 per unit. Most emphasis is given to sales 1 and 2, due to their smaller size, with less emphasis to sale 3 due to it's larger lot size. Thus a market price per lot of \$185,000 per unit is concluded for the subjects 49 lots.

This indicates the following: $\$185,000 \times 49 \text{ sites} = \$9,065,000$.

The method utilized does take into consideration the subjects positive position with regards to rebuilding new homes on the sites. The current Rate of Growth Ordinance (ROGO) that has made it very difficult to obtain a building permit. The subject, due to the fact that there are manufactured homes located a majority of the sites, allows the owner to construct new homes on the site without having to meet the increasingly difficult standards that a site owner would need to complete.

COST APPROACH TO VALUE

The Cost Approach utilizes the value of the subject land as estimated from the market together with a replacement cost estimate of the structures and site improvements. From this a deduction must be made for accrued depreciation: physical, functional, and economic, if any, to provide an additional estimate of the total property value.

Construction Cost

The developer provided the appraiser with an estimate of the construction costs. The total direct costs for the property for the condominium units and associated site work will be \$11,310,756. This equates to a cost of \$305.65 per unit or \$156.98 per square foot. Typical new construction costs in the Key West market range from \$125.00 to \$200.00 per square foot, depending on the quality of construction.

No recent comparable wood frame project comparables were available for direct comparison. Based on the known construction costs of single family classic revival style structures, the subject construction costs are deemed reasonable and will be utilized. A complete copy of the provided costs are included in the addenda.

Direct Costs:

Construction cost estimates have been calculated through the use of the Marshall Valuation Service, a nationally accepted construction cost reference guide. The final adjusted figure includes labor, materials, supervision, contractor's overhead and profit, architectural and engineering fees, building permits, survey, insurance and reasonable interest under construction including processing fees or service charges. The figures include normal site preparation, and utility lines from lot line to building. All costs have been adjusted to local conditions, based on locally derived

.0
K
st

Hard cost new for the 49 Unit Multiple Residence structures are estimated to be \$125.00/psf. The cost new for the Balcony areas is \$45.00/psf. A summary of the direct hard costs are located below:

Condominium Units:	80,984 SF x \$120.00/SF	=	\$ 9,713,760
Balcony/Stairwells:	9,400 SF x \$ 45.00/SF	=	\$ 423,000
Total Direct Building Costs			\$10,136,760

COST APPROACH TO VALUE (Continued)

Construction Cost (Continued)

Site Improvements:

As indicated earlier the site improvements consists of a swimming pool, concrete drives, utilities and landscaping. The site improvement costs were estimated with the help of "Marshall Valuation Service". The site improvements are allocated as follows:

Swimming Pool	\$100,000
Utilities	\$500,000
Landscaping:	<u>\$350,000</u>
Total Site Improvements	\$950,000

Summary of Direct Costs:

Hard Costs	\$10,136,760
Site Improvements	<u>\$ 950,000</u>
Total Direct Costs	\$11,086,760

Indirect Cost:

Real estate taxes: The subject is scheduled to close, and the County Appraisers office will likely raise the value of the site based on the contract price of \$9,400,000 for the land only. Typical assessment ratios for the Monroe County Property Appraiser are 50% to 70% of the actual market value. Applying an assessment ratio 60% to the estimated 2004 land value of \$9,400,000 indicates an estimated assessed value of \$5,600,000. Utilizing an estimated Millage of 15.0 per One Thousand in Assessed Value indicates an estimated tax of \$141,000 for the subject property for fall of 2006. The estimated taxes are therefore estimated to be \$23,000 for payable 2005 and \$141,000 for payable 2006. The total tax liability is estimated to be \$164,000.

Financing Fees: A 2% loan origination fee is considered reasonable for financing the subject. At a 70% loan to value ratio is applied to the direct costs of \$11,086,760 and the true market value of the land (from the land sales utilized earlier in this report) of \$9,065,000. The total value is therefore \$20,151,760 and when multiplied by a 70% loan to value ratio indicates a loan amount of \$14,106,232. The estimated financing fee is therefore \$282,125 ($\$14,106,232 \times 2\%$).

Professional Fees: Attorney, appraiser fees and marketing costs are estimated to be about 2% of the direct costs or \$221,735 ($\$11,086,760 \times 2\%$).

Permits and Impact Fees: Construction impact fees are based on information provided by the contractor and the Monroe County. There should be no or minimal impact fees for the subject. Permits are estimated to be \$150,000.

COST APPROACH TO VALUE (Continued)

Total Indirect Costs:

Real Estate Tax	\$164,000
Financing Fee	\$282,125
Professional Fees	\$221,735
Impact Fees/permits	<u>\$150,000</u>
Total Indirect Costs	\$817,860

Replacement Cost before Entrepreneurial Profit

Adding the direct cost to the indirect cost equates to replacement cost of the building before entrepreneurial profit of \$11,904,620.

Entrepreneurial Profit

Entrepreneurial incentive is a necessary element in the motivation to develop any type of real estate; it is best described as the difference between the cost to build and the subsequent sale price of a property. Entrepreneurial incentive is typically estimated within 10% to 25% of building costs. A survey of several developers indicated that an entrepreneurial incentive in the 10% to 20% range is typical for most projects. For the purpose of this appraisal an estimate of 15% or \$1,785,693 (.15 X \$11,904,620) is estimated .

Replacement Cost New

Adding the direct and indirect costs and entrepreneurial profit equates to a replacement cost new of the subject project of \$13,690,313, or \$279,394 per unit. This equates to a cost of \$169.21 per square foot which is in the range of construction costs in the area.

Depreciated Building Value:

Depreciation is a loss in property value from any cause. It may also be defined as any difference in price between replacement cost new and market value. Depreciation is identified based on physical deterioration, functional obsolescence and external (economic) obsolescence. The methods for estimating accrued depreciation are the economic age-life method, the breakdown method and the market derived method.

The economic age-life method is a lump sum deduction of accrued depreciation. Basically a ratio of the buildings effective age to its total economic life is applied to the current cost of the improvements. The proposed building will be new with no physical depreciation. The total economic life is estimated at 60 years. The indicated depreciation, based on the age/life method is 0%.

COST APPROACH TO VALUE (Continued)

Functional Obsolescence:

Functional Obsolescence is related to the market perception of the subject property, that is, structural components or key elements, including floor plan and interior improvements, are considered inadequate and result in decreased utility. Other forms of functional obsolescence include superadequacy, where the cost of certain elements of construction exceed the market value of the same component. There are no forms of functional obsolescence in the subject project.

External (Economic) Obsolescence:

External Obsolescence is the diminished utility of a structure due to negative influences from outside the site, which are incurable by the owner or the tenant. These negative influences can be caused by a variety of factors; neighborhood decline, location or market conditions. There were no forms of negative external obsolescence noted.

However, the assemblage of the project creates an additional positive form of Economic Obsolescence, caused by shortage of land and extremely limited new construction. This positive form of economic obsolescence can be measured by comparing the value conclusion in the cost approach with the gross estimated retail market value of the complex in the Sales Comparison (Gross Aggregate) Approach. The estimated market value from the cost approach without the positive economic obsolescence (including market land value) is \$22,755,313. The estimated gross retail sellout from the Sales Comparison Approach is \$35,770,000. The difference of \$13,014,687 represents the positive economic obsolescence, which will equate to additional profit for the developers and provide a substantial contingency should any problems arise during construction. This positive form of obsolescence is typically only found in areas such as Monroe County and Miami Beach, due to limited land development. Additionally the developers acquired the land for \$9,400,000, substantially below market, providing additional potential profit and contingency.

COST APPROACH TO VALUE (Continued)

Cost Summary and Value Estimate

Direct Cost:	\$11,086,760
Indirect Cost:	\$ 817,860
Total Direct & Indirect Costs	\$11,904,620

Entrepreneurial Profit @ 15%	\$ 1,785,693
Replacement Cost New	\$13,690,313

Less Accrued Depreciation:

Physical:	\$ -0-
Functional Obsolescence:	\$ -0-
External Obsolescence	<u>\$13,014,687</u>
Total Accrued Depreciation	\$13,014,687

Add: Land Value	\$ 9,065,000
Total	\$36,040,687

ESTIMATED VALUE VIA COST APPROACH	\$36,040,687
-----------------------------------	--------------

Round To	\$36,000,000
----------	--------------

SALES COMPARISON APPROACH - Retail Market Value

The subject property will consist of a 49 townhouse style condominium units. The most similar project in the area is the Coral Hammock, less than two blocks from the subject and recently constructed. The most recent sales will be utilized and completed on a URAR form. The form is located on the following ages. within the past 90 days will be utilized to estimate the current market of the subject units. In addition several other projects will be analyzed in order to assist in proper estimation of the required time period for complete sellout of the subjects 49 units.

SALES COMPARISON APPROACH - Retail Market Value

The estimated value of the unit style was completed on a FNMA URAR form, located in the addenda. The reconciled market value was estimated to be \$730,000 per unit.

ABSORPTION RATES

Analysis of marketing times for similar homes ranged from 10 to 240 days. Sale one was sold in 1 day. Sales 2 and 3 had exposure times of 49 days. MLS statistics for homes priced under \$1,000,000 indicated exposure times of less than 3 months.

Ocean 25 and Sister Creek, both current developments in nearby Marathon were sold out with pre-construction reservations within 1 week. These developments were also appraised by Jeff Nienaber for Marine Bank.

Watermark. A downtown Key West development with Higher end homes around \$2,000,000 had pre-sales for the entire project within one week of marketing the project. This project was also appraised by Jeff Nienaber for Republic Bank.

Conclusion

Based on the above projects, the subject is likely to have pre-sales for most of the units within 30 days of the initial marketing. However, some reservations will fall through when closing approaches, thus a sellout period of 11 quarters is estimated for this reason.

GROSS RETAIL SELLOUT VALUE

This represents the total gross proceeds that will be produced by this project. This number is not market value to the developer or one entity. Market value entails discounting for a sellout over a period of time. Both the "as is" value of the project and the "as built as if vacant" valuation will be handled later in the Development/Feasibility Analysis.

Based on the estimated value of \$730,000 per unit, a total gross retail sellout of **\$35,770,000** is estimated (39 units times \$730,000 = \$35,770,000).

DEVELOPMENT METHOD - FEASIBILITY (MARKET) ANALYSIS

This section will analyze the present value of the proposed project, after accounting for costs, risk, and time value of money .

One of the most reliable analytical methods available to estimate the probability of success is the Discounted Sell-Out Method. A positive indication for the success of any proposed development is usually yielded when the present worth of the (discounted) cash flows are greater than the cost to produce those flows.

Discounting is for time or for waiting and risk. Appraisal guidelines require that the discounting process be applied over the estimated absorption period. The discounting process starts at the point of maximum risk to the lender: when the construction is finished and no units have been closed.

Up to the date of completion, costs add to what is produced and, presumably, to value. After completion of construction, all costs incurred are deductions because they are necessary expenditures required to market the finished product.

Developers' overhead and profit is a cost to be recovered. Therefore, this entrepreneurial profit must be included as part of the cost in the Development Method, estimated at 15% for report purposes.

For feasibility to exist, value via the Development Method must be at least equal to the cost to develop. This discounted value is an indication of the probable sales price of the entire completed development to a single, knowledgeable entrepreneur. Thus, it represents market value.

The rationale is that the lender is committing money today based on a market value estimate of the entire project. Since the project will have to go through an absorption, or waiting, period. Therefore, the value is influenced by discounting for the waiting period (time value of money theory).

ABSORPTION

As stated earlier, the absorption period is estimated at 11 quarters or 44 months. This is primarily due to the longer construction period in Monroe County and possible contract cancellations late in the sellout period. The required total sellout period is therefore estimated at approximately 11 quarters, or by the end of September 2007.

DEVELOPMENT METHOD - FEASIBILITY (MARKET) ANALYSIS (Continued)

CASH FLOW ANALYSIS

The discounted cash flow analysis is a composite of the various components that are combined to create a successful development. The analysis considers the acceptability of the product (market absorption), the potential income stream generated by that product (unit prices) and the related costs of production (site development, unit costs, selling costs and developer profit).

The cash flow analysis determines if the "acceptable" prices (income stream) is sufficient to support the development costs.

Gross Retail Sellout

As indicated in the previous section the gross retail sellout is \$35,770,000.

Expenses

The next step in this approach is to estimate expenses related to developing and sellout of the proposed project. Each relevant cost will be individually analyzed in the following sections.

Direct Costs or Hard Construction Costs:

The developer provided the appraisers with an estimate of the construction costs. A copy of the developers estimated cost breakdown is included in the addenda.

Indirect Costs

Real Estate Taxes are paid annually in November. The taxes will be paid by the developer until the units are sold. The taxes due in the fall of 2004 are estimated to be \$23,000 based on the most recent taxes. After that point the taxes will be based on the vacant land and will recognize the recent sales price. The taxes were estimated to be \$141,000 for the fall of 2007 from the Cost Approach. Therefore the total taxes are estimated to be \$164,000 over the life of the subject project.

Selling and Marketing Costs usually include expenses for sales commissions, advertising, promotional fees, etc. Typical costs are 5% to 10%. Selling expenses of 4% are considered reasonable for this size project. Based on typical selling and marketing costs an estimate of 4% will be utilized.

Impact Fees and Permits

The total permits and minimal impact fee expenses, as provided by the developer are \$150,000. Therefore these cost are included in the first period of the cash flow analysis.

General and Miscellaneous Fees are estimated at 2%.

DEVELOPMENT METHOD - FEASIBILITY (MARKET) ANALYSIS (Continued)

Entrepreneurial Profit, is an additional cost to be received. A survey of local developers agreed that a 10% to 20% profit can be expected for similar projects in South Florida. For the purpose of this analysis an 18% profit is estimated.

Discounted Cash Flow

According to the most recent issue of the publication of Valuation Insight and Perspectives, (published by the Appraisal Institute) showed average discount rates of 7.0% to 12% for all types of real estate except vacant land. There is no vacant land category listed. A rate range of 8% to 9% is indicated. A rate of 8.5% was utilized.

Final Value Indications:

The indicated "as is" market value via the discounted cash flow method is \$10,300,000 (rnd). Please refer to the discounted cash flow analysis located below:

DATE	JUL 03 to SEP 05	OCT 05 to DEC 05	JAN 06 to MAR 06	APR 06 to JUN 06	JUL 06 to Sep 06	OCT 06 to DEC 06	JAN 07 to MAR 07	APR 07 to JUN 07	JUL 07 to SEP 07	Total
PERIODS (QUARTERS)	1	2	3	4	5	6	7	8	11	
NUMBER OF PRESALES		20	10	10	9	9	9	6	6	48
NUMBER OF CLOSINGS				10	10	9	7	7	5	40
GROSS UNIT SALES		\$0	\$0	\$7,300,000	\$7,300,000	\$6,570,000	\$5,110,000	\$5,110,000	\$4,380,000	\$36,770,000
LESS EXPENSES:										
HARD CONSTRUCTION		\$4,838,733	\$2,418,367	\$2,418,367	\$2,176,531	\$0	\$0	\$0	\$0	\$11,852,000
SELLING @ 4%		\$0	\$0	\$292,000	\$292,000	\$262,600	\$204,400	\$204,400	\$175,200	\$1,430,600
ENTREPRENEURIAL @ 18%		\$0	\$0	\$1,314,000	\$1,314,000	\$1,182,500	\$919,600	\$919,600	\$788,400	\$6,438,600
IMPACT FEES/PERMITS	\$150,000									
REAL ESTATE TAX		\$23,000				\$141,000				\$164,000
GENERAL AND ADM 2%		\$0	\$0	\$146,000	\$146,000	\$131,400	\$102,200	\$102,200	\$87,600	\$715,400
TOTAL EXPENSES	\$150,000	\$4,859,733	\$2,418,367	\$4,170,367	\$3,928,531	\$1,717,800	\$1,225,400	\$1,226,400	\$1,051,200	\$29,748,800
NET PROCEEDS (GROSS SALES - EXPS. - PROF)	-\$150,000	-\$4,859,733	-\$2,418,367	\$3,129,633	\$3,371,469	\$4,852,200	\$3,883,600	\$3,883,600	\$3,328,800	
NET PRESENT VALUE:	\$9,642,093									
DISCOL 9.00%										
ROUNDED TO	\$10,300,000									
Cost per unit	\$241,837									
Market per unit	\$730,000									

DEVELOPMENT METHOD - FEASIBILITY (MARKET) ANALYSIS (Continued)

In addition the lender has requested the estimated market value upon completion of the new construction, as if vacant. This value is estimated by discounting the sellout period (1 quarter) and assumes all construction costs have been paid. The only expenses would be profit, selling expenses and general and administrative costs. The entrepreneurial profit is lower, since the project has been constructed. Therefore a 10% profit is indicated. An increase in the risk rate is assumed at 10%. Located below is a spreadsheet depicting the "Prospective" Wholesale Market Value of all 49 units to a single purchaser upon completion of the new construction on September 30, 2006, as of as of June 8, 2005. The indicated value is \$26,200,000.

DATE	SEP 06	
PERIODS (QUARTERS)		1
GROSS UNIT SALES		\$35,770,000
LESS EXPENSES:		
HARD CONSTRUCTION		
SELLING & MARKETING COSTS	@ 4%	\$1,430,800
ENTREPRENEURIAL PROFIT	@ 10%	\$3,577,000
IMPACT FEES/PERMITS		30
REAL ESTATE TAX		\$50,000
GENERAL AND ADMINISTRATIVE	@ 2%	\$57,232
TOTAL EXPENSES		\$5,115,032
NET PROCEEDS		\$30,654,968
(GROSS SALES - EXPS. - PROFIT)		
NET PRESENT VALUE:		\$27,868,153
DISCOUNT RATE:	10.00%	
ROUNDED TO		\$26,200,000
Cost per unit		\$241,837
Market per unit		\$730,000

RECONCILIATION AND FINAL VALUE CONCLUSION

The condominium project "As Is" has been valued on the basis of two methods. The following are the value conclusions of each method.

Value Indicators:

Sales Comparison Approach:

"As Is" Land Value	\$ 9,065,000
"As Is" Value via Development Method:	\$10,300,000

Both techniques provided reliable indicators of value. Most emphasis is given to the development method, which is considered to be the most reliable indicator of the "As Is: market value for a development project.

Final "As Is" Market Value:	\$10,000,000
------------------------------------	---------------------

Gross Aggregate Sell out

<i>Cost Approach :</i>	\$36,000,000
<i>Development Method:</i>	\$35,770,000

The cost and development methods produced nearly identical values. The cost approach was given less emphasis due the positive economic obsolescence the project produces.

"Prospective" Wholesale Market value:	\$26,200,000
---------------------------------------	--------------

Comments

The Sales Comparison Approach was used to estimate the "as is" market value of the land as well as the retail market value of the proposed subject units. Three land sales were used to estimate the "as is" market value. The sales were all located in nearby Key West and were similar to the subject having medium density coastal residential zoning.

The Retail Market Valuation by the Sales Comparison Approach is simply the total of the gross sales and should not be misconstrued to represent market value by a single owner.

The development method is influenced by several assumptions, including profit and expense estimates. The neighborhood absorption survey provides a consistent estimated as to the absorption period. The overall cost estimates are based on typical builder expenses.

The Development Method relies on the cash flow model which is influence by several factors. The profit margin, at 20%, is adequate to support the development and would provide a positive value influence if it was decreased. The Development Method is well supported and is considered to be a good indicator of value.

RECONCILIATION AND FINAL VALUE CONCLUSION

The "Prospective" Wholesale Market Value to a single purchaser, upon completion of the construction was estimated to be \$26,200,000. This value is estimated by discounting the sellout period (1 quarter) and assumes all construction costs have been paid. The only expenses would be profit, selling expenses and general and administrative costs.

EXPOSURE TIME

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

The subject property is located in the one of the most desirable areas of South Florida. Limited residential growth has increased property values over the past few years and new and existing properties are exhibiting strong demand and short marketing and exposure times. This is evidenced by the significant amount of pre-sale agreements on the subject property. There is a minimal supply of land remaining for development, therefore a vacant site with site plan approval can easily be marketed.

The sales which all occurred prior to the date of appraisal indicated marketing times at less than one year. Since the market values have been relatively consistent over the past few years the exposure time for the subject property is estimated to be 12 months for the wholesale discounted value of the project.

CERTIFICATION OF VALUE

I certify that, to the best of our knowledge and belief:

- * The statements of fact contained in this report are true and correct.
- * The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analysis, opinions, and conclusions.
- * I have no bias with respect to the property that is the subject of this report, and we have no interest with respect to the parties involved.
- * My engagement is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- * My reported analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Appraisal Institute.
- * I have made a personal inspection of the property that is the subject of this report.
- * No one provided significant professional assistance to the person signing this report.
- * The appraiser has performed within the context of the competency provisions of the Uniform Standards of Professional Appraisal Practice and those of the Appraisal Institute, relating to review by the Real Estate Appraisal Subcommittees of the Florida Real Estate Commission and the Appraisal Institute. This report is made in compliance with the U.S.P.A.P. competency provision.
- * This report was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- * I currently hold an appropriate state license or certification allowing the performance of real estate appraisals in connection with federally related transactions.

CERTIFICATION OF VALUE (Continued)

* This appraisal recognizes the following definition of value:

Market Value: as defined in Chapter 12, Code of Federal Regulation, Part 34.42 (f) is, "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and acting in what they consider their own best interests.
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

This appraisal has been made in accordance with the Standards of Practice and Code of Ethics of the Appraisal Institute, the guidelines according to USPAP and FIRREA.

In my opinion, the "As Is" Market Value of the subject property, in fee simple title, as of June 8, 2005 is

TEN MILLION DOLLARS
(\$10,000,000)

In my opinion, the "Prospective" Wholesale Market Value of the subject's 49 units, upon completion of the construction to a single purchaser on September 30, 2006 as of June 8, 2005 is

TWENTY SIX MILLION TWO HUNDRED THOUSAND DOLLARS
(\$26,200,000)

Respectfully submitted,



Jeff Nienaber
State Certified General Real
Estate Appraiser, No 0002475

ASSUMPTIONS AND LIMITING CONDITIONS

The value conclusion and certification within this report are made expressly subject to the following assumptions and limiting conditions as well as any further reservations or conditions stated within the text of the report.

- 1) No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable.
- 2) All existing liens and encumbrances, (except the existing leases if any) have been disregarded, and the property is appraised as though free and clear.
- 3) Responsible ownership and competent property management are assumed.
- 4) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 5) All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 6) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 7) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance, is stated, defined, and considered in the appraisal report.
- 8) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, except where non-conformity has been stated, defined, and considered in the appraisal report.
- 9) It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 10) It is assumed that the utilization of the land and improvements is within the boundaries of property lines or the property described and that there is no encroachment or trespass unless noted in this report.

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

- 11) Subsurface rights were not considered in making this appraisal.
- 12) The distribution, if any, of the total valuation of this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 13) Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
- 14) The appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- 15) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the MAI or SREA designations) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- 16) The existence of potentially hazardous material used in the construction or maintenance of the building and/or the existence of toxic waste which may or may not be present on or under the site was not observed during our inspection. However, we are not qualified to detect such substances. These substances, if they exist, could have a negative effect on the estimated value of the property. The user of this report is urged to retain an expert in this field if desired.
- 17) Unless specifically stated to the contrary in the report, no independent evaluation of concurrency matters were made for the subject or any sales comparables. In the event concurrency is found to affect subject property or any of the sales comparables, we reserve the right to reconsider the value conclusion.
- 18) This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

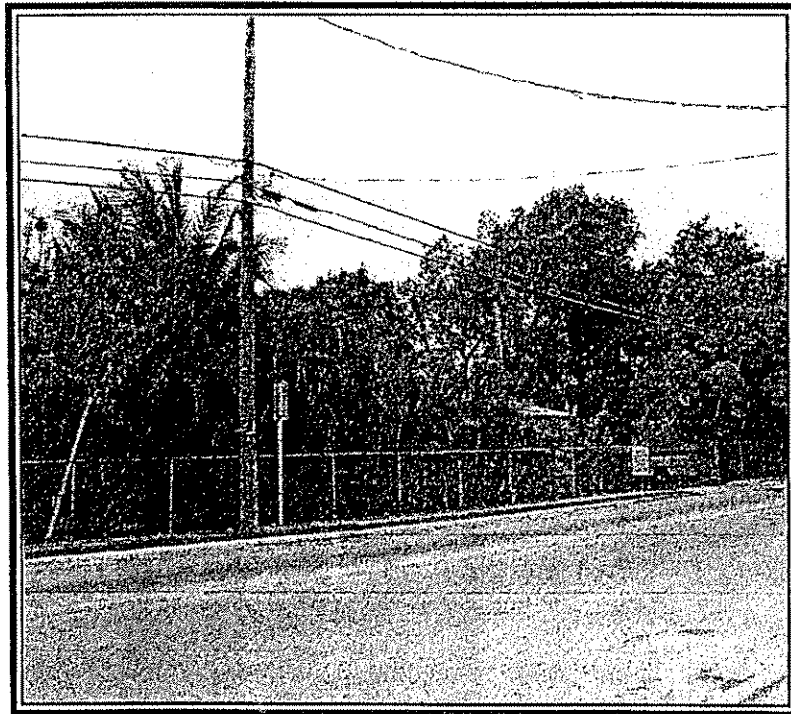
ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

- 19) The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, he did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

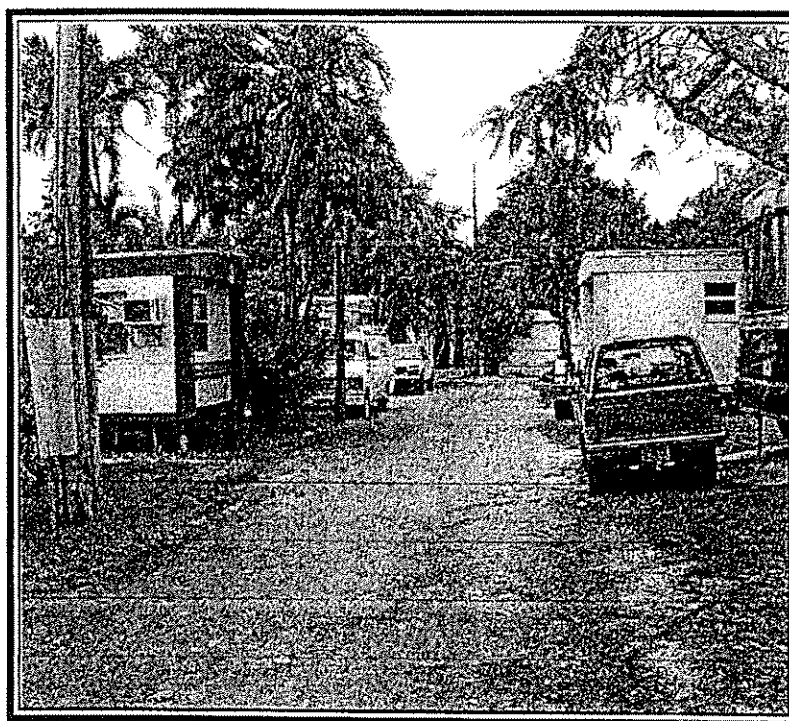
ADDENDA

[illegible]

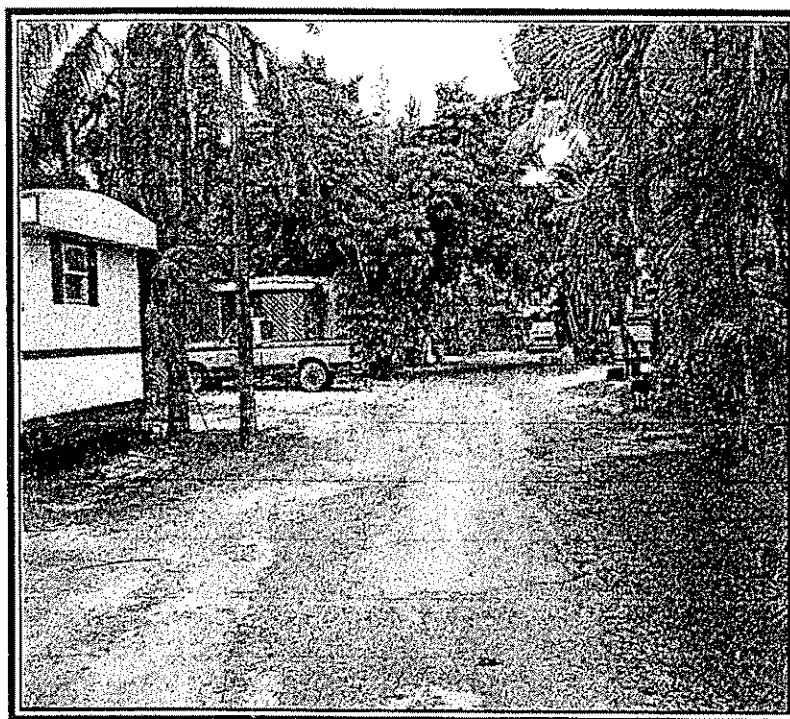
FRONT VIEW OF SUBJECT



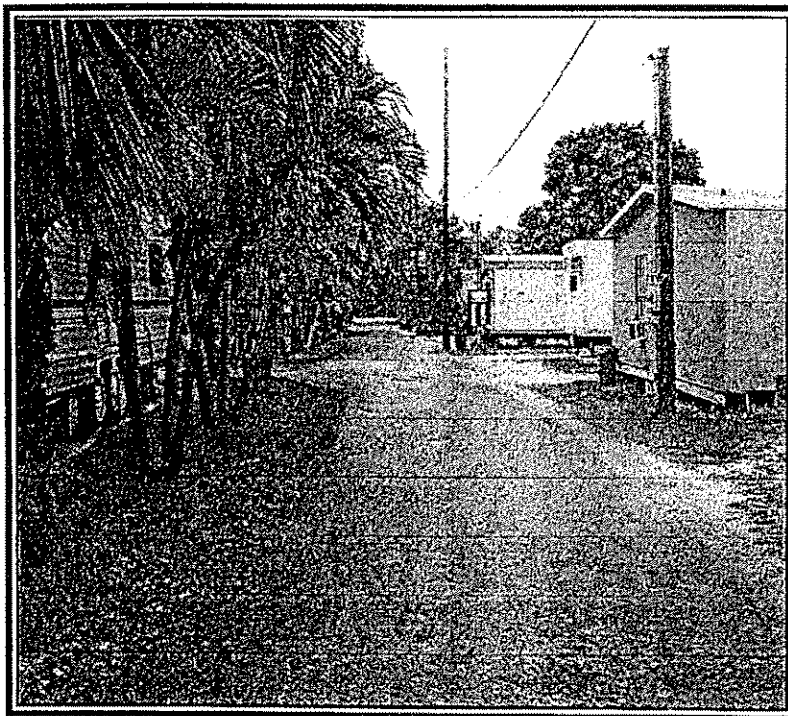
EXTERIOR VIEW OF SUBJECT



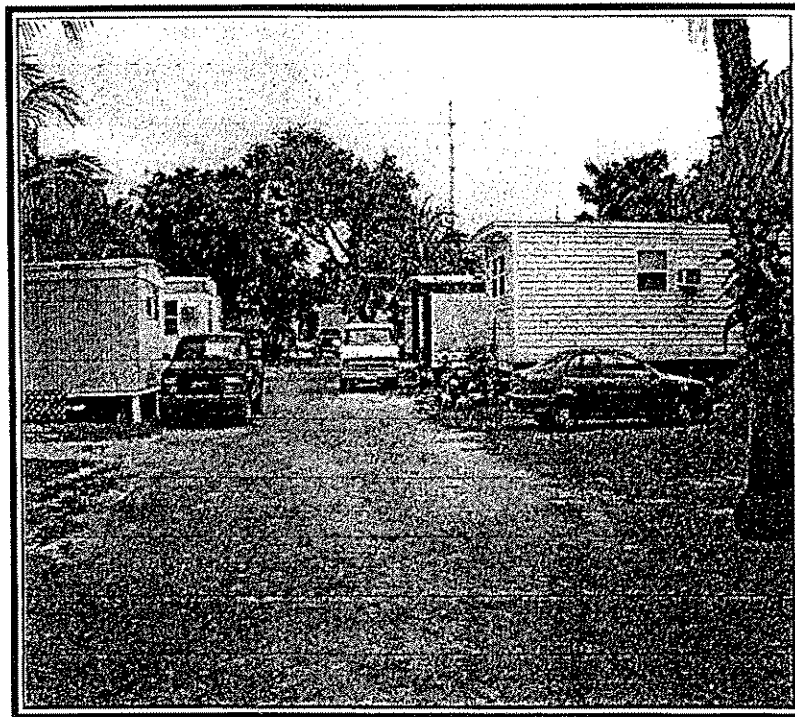
EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



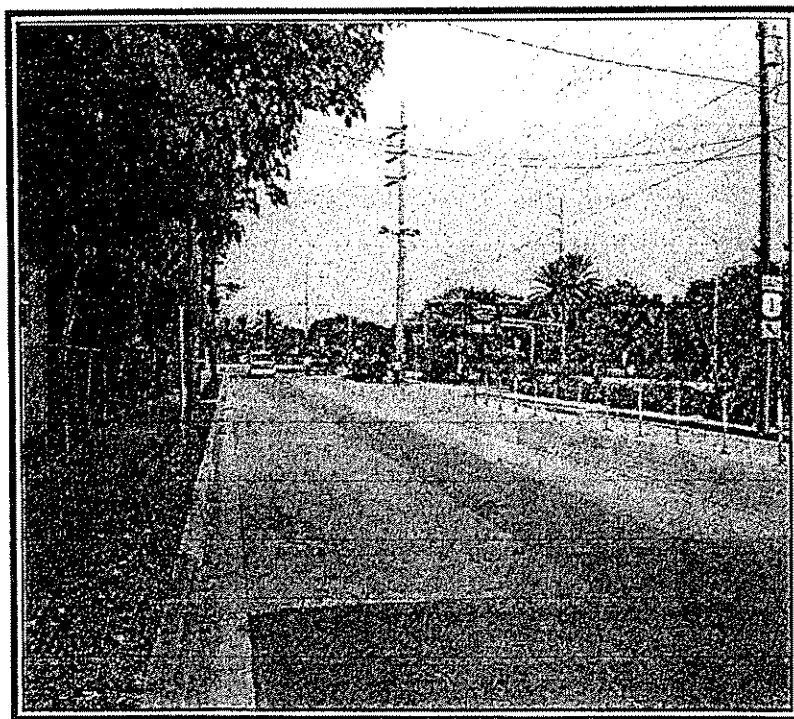
EXTERIOR VIEW OF SUBJECT



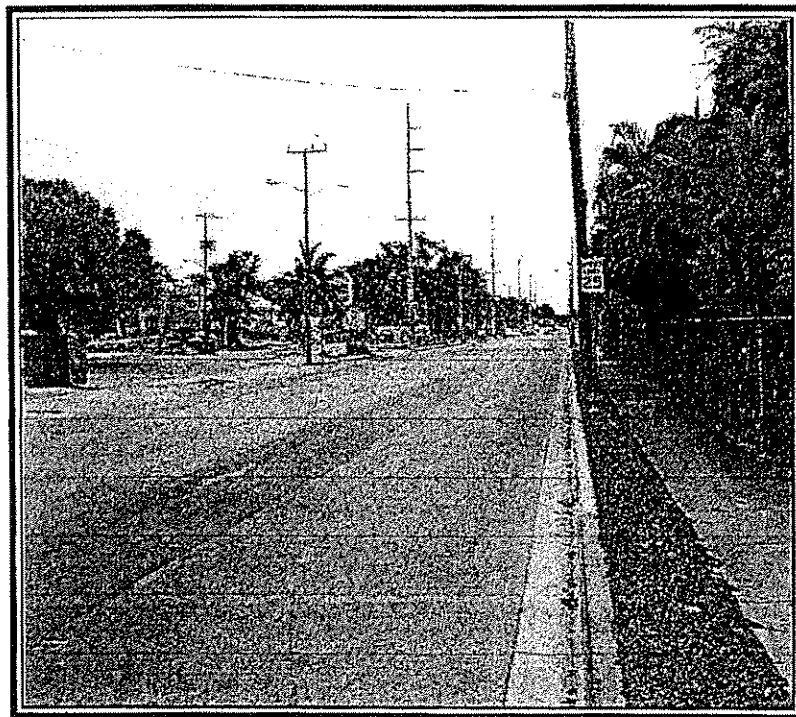
EASTERN VIEW OF 5TH STREET



SOUTHERN VIEW OF MACDONALD AVENUE



NORTHERN VIEW OF MACDONALD AVENUE



InterFlood

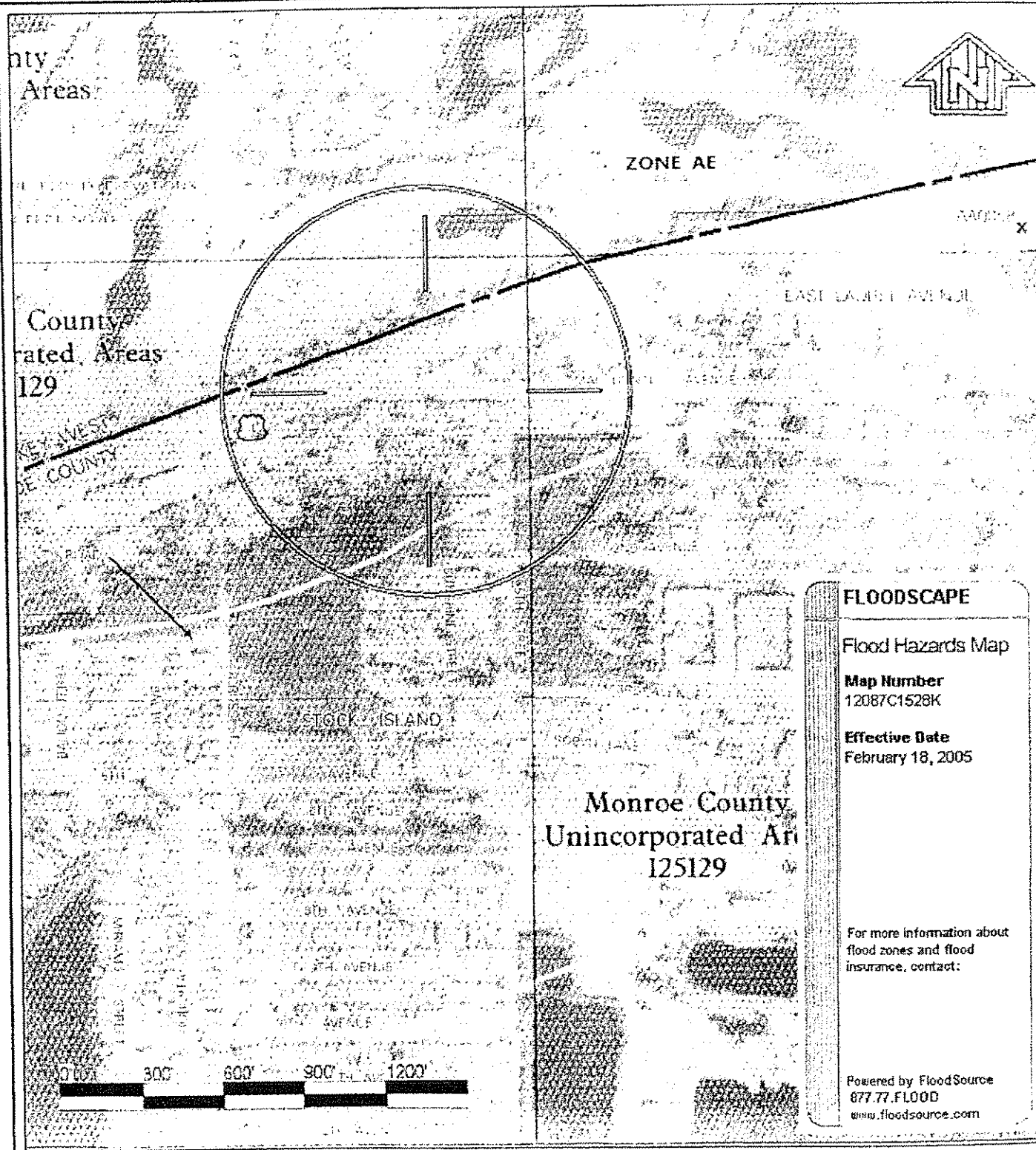
www.interflood.com • 1-800-252-6633

Prepared for:

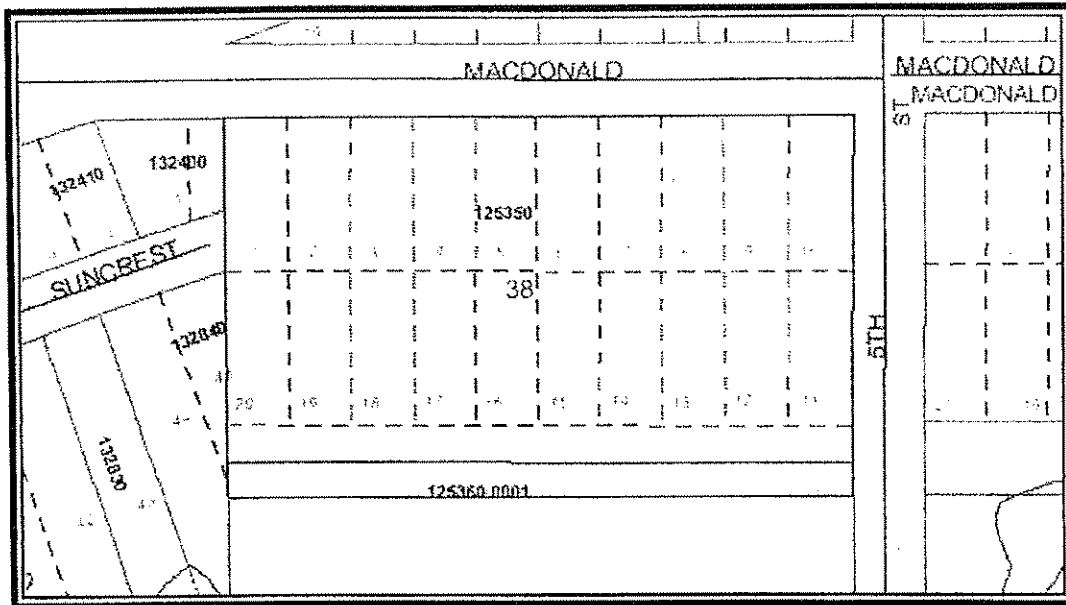
Greater Caribbean Appraisal Services

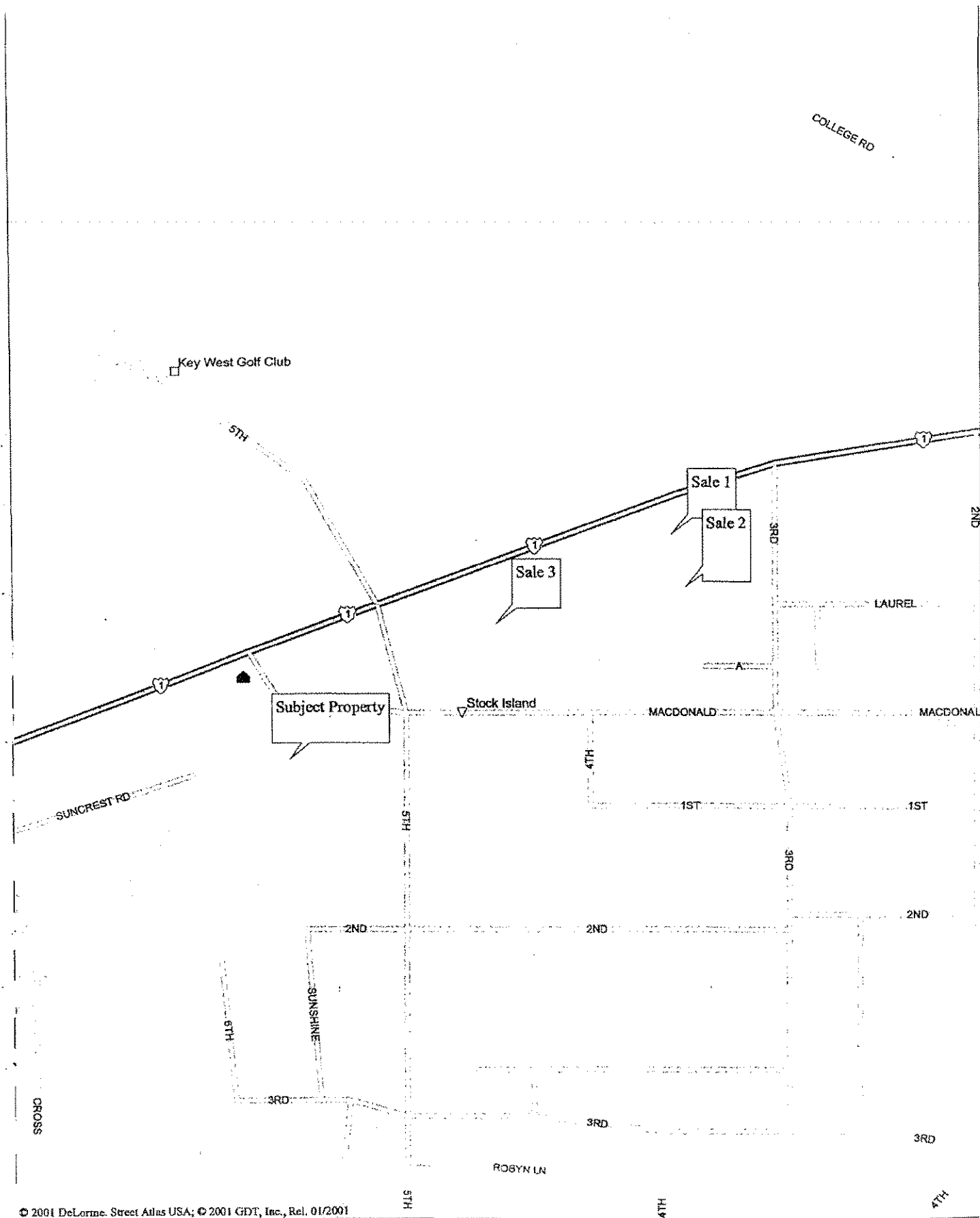
5300 Macdonald Ave

Key West, FL 33040-5814



PLAT MAP





MONROE COUNTY PROPERTY APPRAISER

PROPERTY INFORMATION FOR:

Alternate Key: 1159476
RE Number: 00125350-000000

Property Details

OWNER OF RECORD

BOUNTY FISHERIES LIMITED
5200 MACDONALD AVENUE
KEY WEST FL 33040
Business Name: OVERSEA'S TRIPK

PHYSICAL LOCATION

Unit Number: 63
5862 MACDONALD AVE STOCK ISLAND KEY

LEGAL DESCRIPTION

STOCK ISLAND MALONEY SUB PB1-55 LOTS 1 THRU 20 SQR 38 &
PT DISCLAIMED FIRST AVE (RESOLUTION #33-1973) OR416-517-519
OR416-520Q C OR1185-2033-55(JMH) OR1208-34-56C(JMH) OR1414-
4646

SECTION, TOWNSHIP, RANGE

35 - 67 - 25

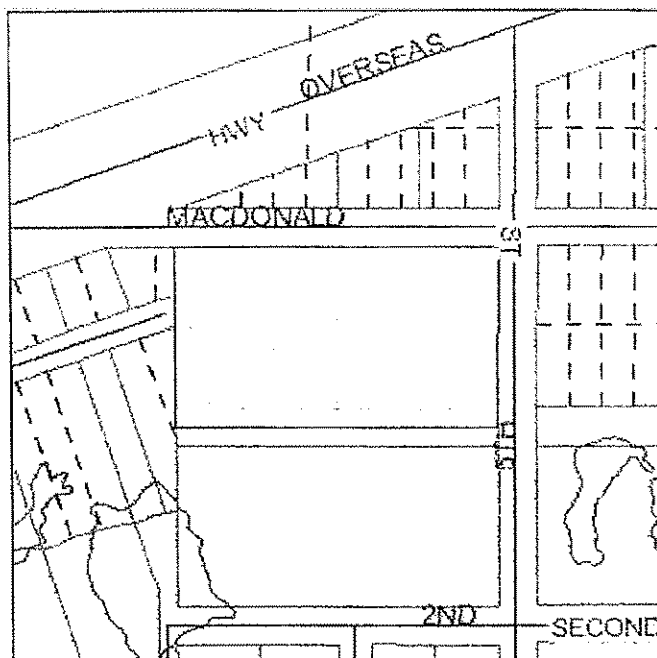
MILLAGE GROUP

110A

PC CODE

36 - CAMPS,PRIV DOCKS/RECREAT/PARKS

PROPERTY MAP



Building Details

NUMBER OF BUILDINGS

47

TOTAL LIVING AREA

22380

NUMBER OF COMMERCIAL BUILDINGS

1

YEAR BUILT

1944

Land Details

LAND USE CODE

020D - MOB HOME DRY
000X - ENVIRONMENTALLY SENS

LAND AREA

133828 SF
1 LT

Parcel Value History

<u>TAX ROLL YEAR</u>	<u>BUILDING</u>	<u>MISCELLANEOUS IMPROVEMENTS</u>	<u>LAND</u>	<u>JUST</u>	<u>EXEMPTIONS (NOT INCLUDING SENIORS)</u>	<u>TAXABLE</u>
2004	1,043,840	20,141	803,018	1,785,789	0	1,785,789
2003	1,043,840	20,902	803,018	1,785,789	0	1,785,789
2002	704,693	21,778	803,018	823,469	0	823,469

Parcel Sales History

NOTE - OUR RECORDS ARE TYPICALLY TWO TO THREE MONTHS BEHIND FROM THE DATE OF SALE. IF A RECENT SALE DOES NOT SHOW UP PLEASE GIVE OUR OFFICE TIME TO PROCESS IT.

<u>SALE DATE</u>	<u>OFFICIAL RECORDS BOOK/PAGE</u>	<u>PRICE</u>	<u>INSTRUMENT</u>
07 1996	1414 0464	50000	WD
02 1974	416 520Q	68000	00

Tax Record

Last Update: 6/20/2005 11:16:32 AM ET

Ad Valorem Taxes and Non-Ad Valorem Assessments

The information contained herein does not constitute a title search and should not be relied on as such

Account # (AK)	Tax Type	Tax Year	
1159476	Real Estate	2005	
Mailing Address BOUNTY FISHERIES LIMITED 5300 MACDONALD AVENUE KEY WEST FL 34040			
		Folio Number 39255.0000	
Assessed Value	Exempt Amount	Taxable Value	
\$1,785,789.00	\$0.00	\$1,785,789.00	
Exemption Detail NO EXEMPTIONS Legal Description STOCK ISLAND MALONEY SUB PB1-55 LOTS 1 THRU 20 SQR 38 & PT DISCLAIMED FIRST AVE (RESOLUTION #33-1973) OR416-517/519 OR416- 520Q/C OR1185-2033/35 (JMH) OR1208-54/56C (JMH) OR1414- 464/ 65Q/C (JMH)			
Millage Rate 100A 10.45000			
Tax Districts Detail			
Code	Description	Exemption Amt	Amount
C003	GENERAL REVENUE FUND	\$0.00	\$1,729.96
C004	F&F LAW ENFORCE JAIL JUDICIAL	\$0.00	\$3,911.41
C005	HEALTH CLINIC	\$0.00	\$35.00
S001	SCHOOL STATE LAW	\$0.00	\$4,276.96
S002	SCHOOL LOCAL BOARD	\$0.00	\$2,744.76
C007	GENERAL PURPOSE MSTU	\$0.00	\$269.30
A037	LOWER & MIDDLE KEYS FIRE & AMB	\$0.00	\$2,988.52
C009	M C LOCAL ROAD PATROL LAW ENF	\$0.00	\$793.07
W025	SC FL WATER MANAGEMENT DIST	\$0.00	\$507.16
W026	OSWECOBEE BASIN	\$0.00	\$558.95
W049	EVERGLADES CONSTRUCTION PROJ	\$0.00	\$178.58
C008	FLORIDA KEYS MOSQUITO CONTROL	\$0.00	\$1,087.55
C042	2036 MC CO SOLID WASTE	\$0.00	\$16,860.00
		Total Gross	\$35,152.22
		Discount	(\$922.22)
		Total	\$34,230.00
If Paid By		Amount Due	
09/30/2005		\$8,387.82	

Date Paid	Transaction	Receipt	Amount Paid
06/09/2005	PAYMENT	911777.0001	\$8,256.08

Prior Year Taxes Due

MONROE COUNTY PROPERTY APPRAISER

PROPERTY INFORMATION FOR:

Alternate Key: 8707975
RE Number: 00125360-000100

Property Details

OWNER OF RECORD

BOUNTY FISHERIES LIMITED
5300 MACDONALD AVENUE
KEY WEST FL 33040
Business Name: OVERSEAS TR PK

PHYSICAL LOCATION

STOCK ISLAND KEY

LEGAL DESCRIPTION

STOCK ISLAND MALONEY SUB PB1-55 PT DISCLAIMED FIRST AVE
LYING NLY SQR 39 RESOLUTION NO 33-1973 OR 996-2343 2344
OR 1185-2033 35(JMH) OR 1208-54/56(JMH) OR 1414-464-65Q-CUMH)

SECTION, TOWNSHIP, RANGE

35 - 67 - 25

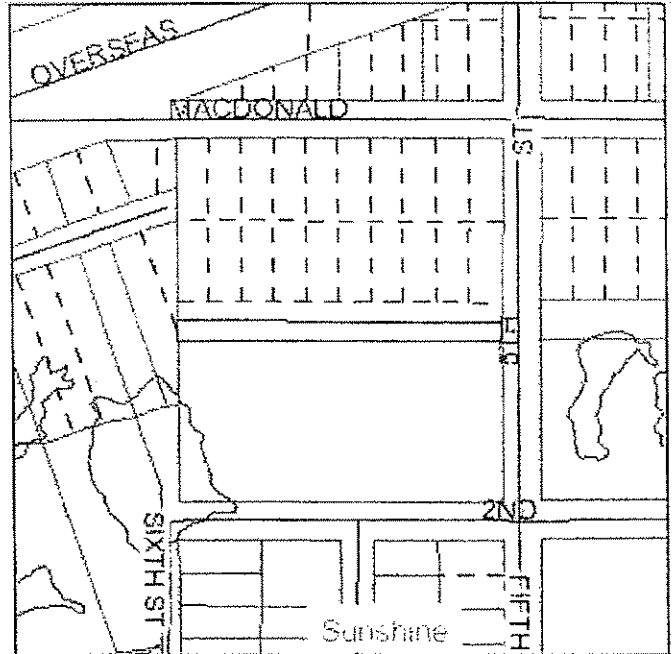
MILLAGE GROUP

110A

PC CODE

36 - CAMPS, PRIV/DOCKS/RECREAT PARKS

PROPERTY MAP



Building Details

NUMBER OF BUILDINGS

TOTAL LIVING AREA

NUMBER OF COMMERCIAL BUILDINGS

YEAR BUILT

Land Details

LAND USE CODE

LAND AREA

100D - COMMERCIAL DRY

0.34 AC

Parcel Value History

TAX ROLL YEAR	BUILDING	MISCELLANEOUS IMPROVEMENTS	LAND	JUST	EXEMPTIONS (NOT INCLUDING SENIORS)	TAXABLE
2004	0	0	30,600	30,600	0	30,600
2003	0	0	30,600	30,600	0	30,600
2002	0	0	30,600	30,600	0	30,600

Parcel Sales History

NOTE: OUR RECORDS ARE TYPICALLY TWO TO THREE MONTHS BEHIND FROM THE DATE OF SALE. IF A RECENT SALE DOES NOT SHOW UP, PLEASE GIVE OUR OFFICE TIME TO PROCESS IT.

SALE DATE	OFFICIAL RECORDS BOOK/PAGE	PRICE	INSTRUMENT
07 1996	1414/0464	1	WD
09 1991	1185/2033	40000	WD

Tax Record

Last Update: 6/20/2005 10:47:37 AM ET

Ad Valorem Taxes and Non-Ad Valorem Assessments

The information contained herein does not constitute a title search and should not be relied on as such.

Account # (AK)	Tax Type	Tax Year	
8707975	Real Estate	2004	
Mailing Address BOUNTY FISHERIES LIMITED 5300 MACDONALD AVENUE KEY WEST FL 33540			
		Folio Number 38257.0000	
Assessed Value	Exempt Amount	Taxable Value	
\$30,600.00	\$0.00	\$30,600.00	
Exemption Detail		Millage Rate	
NO EXEMPTIONS		100A 10.68000	
Legal Description			
STOCK ISLAND MALONEY SUB PBI-55 PT DISCLAIMES FIRST AVE LYING N' LY SQR 39 RESOLUTION NO 33-1973 OR996-2343/2344 OR1125- 2332/ 35(JMH) OR1208-54/56(JMH) OR1414-464/65Q/C(JMH)			
Tax Districts Detail			
Code	Description	Exemption Amt	Amount
CG03	GENERAL REVENUE FUND	\$0.00	\$29.49
CG04	F&F LAW ENFORCE JAIL JUDICIAL	\$0.00	\$67.02
CG05	HEALTH CLINIC	\$0.00	\$0.60
SG01	SCHOOL STATE LAW	\$0.00	\$73.29
SG02	SCHOOL LOCAL BOARD	\$0.00	\$47.73
CG07	GENERAL PURPOSE MSTU	\$0.00	\$4.61
AG07	LOWER & MIDDLE KEYS FIRE & AMB	\$0.00	\$51.21
CG09	M C LOCAL ROAD PATROL LAW ENF	\$0.00	\$13.59
W025	SC FL WATER MANAGEMENT DIST	\$0.00	\$8.69
W028	OKEECHOBBEE BASIN	\$0.00	\$9.58
W042	EVERGLADES CONSTRUCTION PROJ	\$0.00	\$3.06
CG08	FLORIDA KEYS MOSQUITO CONTROL	\$0.00	\$18.64
		Total Gross	\$326.91
		Discount	(\$13.37)
		Total	\$313.74
If Paid By		Amount Due	
		\$0.00	

Date Paid	Transaction	Receipt	Amount Paid
11/12/2004	PAYMENT	2800740.0001	\$313.74

Prior Year Taxes Due
NO DELINQUENT TAXES

Qualifications of Jeff Nienaber

General Education

Attended University of Minnesota	1981
Attended Northern Arizona University	1985, 1986

Professional Education

Courses	University of Minnesota and International Association of Assessing Officers and Appraisal Institute
---------	---

IAAO2	Income Approach to Valuation
IAAO4	Assessment Administration
IAAO 301	Mass Appraisal of Residential Property
MN Course A	Appraisal Standards, Laws, History
MN Course B	Residential Appraisal
MN Course H	Mass Appraisal of Residential Property
USPAP	Uniform Standards of Appraisal Practice
U of M	Apartment Appraisals
U of M	Demonstrative Narrative Report Writing
Appraisal Institute	Highest and Best Use
Lee and Grant	From Appraiser to Underwriter
Lee and Grant	USPAP 2002
Bert Rodgers	Advanced Sales Comparison
Bert Rodgers	USPAP 2004

Professional Designations and Licenses

AMA	Accredited Minnesota Appraiser/Assessor (Requires 5 yrs Experience + Commercial Demonstrative Narrative)
CMA	Certified Minnesota Appraiser/ Assessor
RZ002475	Florida State Certified General Appraiser

Real Estate and Appraisal Experience

Appraiser Assistant	City of Blaine MN	1979
Sales Associate	Edina Realty, Woodbury MN	1982-1983
Residential Appraiser	Cass County MN	1986-1987
Residential Appraiser	City of Fridley MN	1987
Appraiser I	Anoka County MN	1988
Senior Appraiser	Anoka County MN	1990
Chief Appraiser	City of Fridley MN	1992
Real Estate Sales	Olde Island Realty KW	1994
Commercial Appraiser	Appraisers of the Keys	1994
Commercial Appraiser	AppraisalFirst, inc.	1998-2000
Commercial Appraiser	Tozzer, Oakvik and Associates	2000-2003
Commercial Appraisal Mgr.	Greater Caribbean Appraisal	2000-Present

Other

Qualified as an Expert Commercial Appraisal Witness by the Minnesota Tax Court, District Court. Qualified as an Expert Commercial Appraisal Witness by the Arizona District Court 2004.